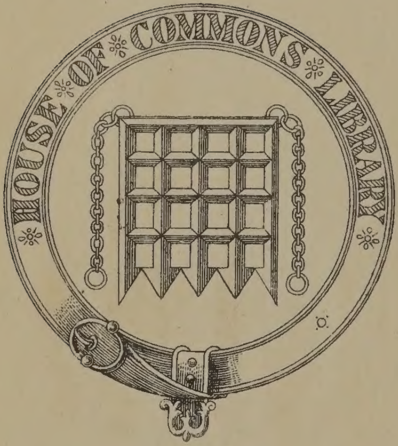
THE·WEALTH·OF NATIONS

ADAM·SMITH

2 vols
257.


HOUSE OF COMMONS LIBRARY

B. | CATALOGUED
R Economics
(Smith 2 v.

TO BE
DISPOSED
BY
AUTHORITY

THE WEALTH OF NATIONS

House of Commons Library

AN INQUIRY INTO
THE NATURE AND CAUSES OF
THE WEALTH OF NATIONS

BY

ADAM SMITH

EDITED, WITH AN INTRODUCTION, NOTES, MARGINAL
SUMMARY AND AN ENLARGED INDEX

BY

EDWIN CANNAN, M.A., LL.D.

PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF LONDON

VOLUME I

METHUEN & CO. LTD.
36 ESSEX STREET W.C.
LONDON

Fifth Edition

Economics

925[illegible]

This Edition was First Published .	*September 1904*
Second Edition	*July 1920*
Third Edition	*August 1923*
Fourth Edition	*December 1925*
Fifth Edition	*1930*

PRINTED IN GREAT BRITAIN

PREFACE

THE text of the present edition is copied from that of the fifth, the last published before Adam Smith's death. The fifth edition has been carefully collated with the first, and wherever the two were found to disagree the history of the alteration has been traced through the intermediate editions. With some half-dozen utterly insignificant exceptions such as a change of 'these' to 'those,' 'towards' to 'toward,' and several haphazard substitutions of 'conveniences' for 'conveniencies,' the results of this collation are all recorded in the footnotes, unless the difference between the editions is quite obviously and undoubtedly the consequence of mere misprints, such as 'is' for 'it,' 'that' for 'than,' 'becase' for 'because'. Even undoubted misprints are recorded if, as often happens, they make a plausible misreading which has been copied in modern texts, or if they present any other feature of interest.

As it does not seem desirable to dress up an eighteenth century classic entirely in twentieth century costume, I have retained the spelling of the fifth edition and steadily refused to attempt to make it consistent with itself. The danger which would be incurred by doing so may be shown by the example of 'Cromwel'. Few modern readers would hesitate to condemn this as a misprint, but it is, as a matter of fact, the spelling affected by Hume in his *History*, and was doubtless adopted from him by Adam Smith, though in the second of the two places where the name is mentioned inadvertence or the obstinacy of the printers allowed the usual 'Cromwell' to appear till the fourth edition was reached. I have been equally rigid in following the original in the matter of the use of capitals and italics, except that in deference to modern fashion I have allowed the initial words of paragraphs to appear in small letters instead of capitals, the chapter headings to be printed in capitals instead of italics, and the abbreviation 'Chap.' to be replaced by 'Chapter' in full. I have also allowed each chapter to begin on a fresh page, as the old practice of beginning a new chapter below the end of the preceding one is inconvenient to a student who desires to use the book for reference. The useless headline, 'The Nature and Causes of the Wealth of Nations,' which appears at the top of every pair of pages in the original, has been replaced by a headline which changes with every chapter and, where possible, with every formal subdivision of a chapter, so that the reader who opens the book in the middle of a long chapter with several subdivisions may discover where he is immediately. The composition of these headlines has not always been an easy matter, and I hope that critics who are inclined to condemn any of them will take into account the smallness of the space available.

The numbers of the Book and Chapter given in the margin of the original are relegated, with the very necessary addition of the number of the Part of the chapter (if it is divided into numbered parts), to the top of the page in order to make room for a marginal summary of the text. In writing this summary I have felt like an architect commissioned to place a new building alongside some ancient masterpiece: I have endeavoured to avoid on the one hand an impertinent adoption of Smith's words and style, and on the other an obtrusively modern phraseology which might contrast unpleasantly with the text.

The original index, with some slight unavoidable changes of typography, is reprinted as it appeared in the third, fourth and fifth editions, but I have added to it, in square brackets, a large number of new articles and references. I have endeavoured by these additions to make it absolutely complete in regard to names of places and persons, except that it seemed useless to include the names of kings and others when used merely to indicate dates, and altogether vain to hope to deal comprehensively with 'Asia,' 'England,' 'Great Britain' and 'Europe'. I have inserted a few catchwords which may aid in the recovery of particularly striking passages, such as 'Invisible hand,' 'Pots and pans,' 'Retaliation,' 'Shopkeepers, nation of'. I have not thought it desirable to add to the more general of the headings in the original index, such as 'Commerce' and 'Labour,' since these might easily be enlarged till they included nearly everything in the book. Authorities expressly referred to either in the text or the Author's notes are included, but as it would have been inconvenient and confusing to add references to the Editor's notes, I have appended a second index in which all the authorities referred to in the text, in the Author's notes, and in the Editor's notes are collected together. This will, I hope, be found useful by students of the history of economics.

The Author's references to his footnotes are placed exactly where he placed them, though their situation is often somewhat curiously selected, and the footnotes themselves are printed exactly as in the fifth edition. The Editor's notes and additions to Smith's notes are in square brackets. Critics will probably complain of the trivial character of many of the notes which record the result of the collation of the editions, but I would point out that if I had not recorded all the differences, readers would have had to rely entirely on my expression of opinion that the unrecorded differences were of no interest. The evidence having been once collected at the expense of very considerable labour, it was surely better to put it on record, especially as these trivial notes, though numerous, if collected together would not occupy more than three or four pages of the present work. Moreover, as is shown in the Editor's Introduction, the most trivial of the differences often throw interesting light upon Smith's way of regarding and treating his work.

The other notes consist chiefly of references to sources of Adam Smith's information. Where he quotes his authority by name, no difficulty ordinarily arises. Elsewhere there is often little doubt about the matter. The search for authorities has been greatly facilitated by the publication of Dr. Bonar's *Catalogue of the Library of Adam Smith* in 1894, and of Adam Smith's *Lectures* in 1896. The *Catalogue* tells us what books Smith had in his possession at his death, fourteen years after the *Wealth of Nations* was published, while the *Lectures* often enable us to say that a particular piece of information must have been taken from a book published before 1763. As it is known that Smith used the

Advocates' Library, the Catalogue of that library, of which Part II. was printed in 1776, has also been of some use. Of course a careful comparison of words and phrases often makes it certain that a particular statement must have come from a particular source. Nevertheless many of the references given must be regarded as indicating merely a possible source of information or inspiration. I have refrained from quoting or referring to parallel passages in other authors when it is impossible or improbable that Smith ever saw them. That many more references might be given by an editor gifted with omniscience I know better than any one. To discover a reference has often taken hours of labour: to fail to discover one has often taken days.

When Adam Smith misquotes or clearly misinterprets his authority, I note the fact, but I do not ordinarily profess to decide whether his authority is right or wrong. It is neither possible nor desirable to rewrite the history of nearly all economic institutions and a great many other institutions in the form of footnotes to the *Wealth of Nations*.

Nor have I thought well to criticise Adam Smith's theories in the light of modern discussions. I would beseech any one who thinks that this ought to have been done to consider seriously what it would mean. Let him review the numerous portly volumes which modern inquiry has produced upon every one of the immense number of subjects treated by Adam Smith, and ask himself whether he really thinks the order of subjects in the *Wealth of Nations* a convenient one to adopt in an economic encyclopædia. The book is surely a classic of great historical interest which should not be overlaid by the opinions and criticisms of any subsequent moment—still less of any particular editor.

Much of the heavier work involved in preparing the present edition, especially the collation of the original editions, has been done by my friend Mrs. Norman Moor, without whose untiring assistance the book could not have been produced.

Numerous friends have given me the benefit of their knowledge of particular points, and my hearty thanks are due to them.

E. C.

London School of Economics, 1904

CONTENTS

PAGE

EDITOR'S INTRODUCTION xiii

INTRODUCTION AND PLAN OF THE WORK 1

BOOK I

Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People 5

CHAP. I

Of the Division of Labour . . . . ibid.

CHAP. II

Of the Principle which gives Occasion to the Division of Labour . . . 15

CHAP. III

That the Division of Labour is limited by the Extent of the Market . . 19

CHAP. IV

Of the Origin and Use of Money 24

CHAP. V

Of the real and nominal Price of Commodities, or of their Price in Labour, and their Price in Money 32

CHAP. VI

Of the component Parts of the Price of Commodities 49

CHAP. VII

PAGE
Of the natural and market Price of Commodities 57

CHAP. VIII

Of the Wages of Labour 66

CHAP. IX

Of the Profits of Stock 89

CHAP. X

Of Wages and Profit in the different Employments of Labour and Stock . . 101
PART I. *Inequalities arising from the Nature of the Employments themselves* 102
PART II. *Inequalities occasioned by the Policy of Europe* 120

CHAP. XI

Of the Rent of Land 145
PART I. *Of the Produce of Land which always affords Rent* 147
PART II. *Of the Produce of Land which sometimes does, and sometimes does not, afford Rent* 162
PART III. *Of the Variations in the Proportion between the respective Values of that Sort of Produce which always affords Rent, and of that which sometimes does and sometimes does not afford Rent* 175
Digression concerning the Variations in the Value of Silver during the Course of the Four last Centuries.
First Period 177
Second Period 191
Third Period 192
Variations in the Proportion between the respective Values of Gold and Silver 210
Grounds of the Suspicion that the Value of Silver still continues to decrease . 216
Different Effects of the Progress of Improvement upon the real Price of three different Sorts of rude Produce . . . . ibid.
First Sort 217
Second Sort 219
Third Sort 228
Conclusion of the Digression concerning the Variations in the Value of Silver 237
Effects of the Progress of Improvement upon the real Price of Manufactures . 242
Conclusion of the Chapter 247

BOOK II

Of the Nature, Accumulation, and Employment of Stock

PAGE
INTRODUCTION 258

CHAP. I

Of the Division of Stock 261

CHAP. II

Of Money considered as a particular Branch of the general Stock of the Society, or of the Expence of maintaining the National Capital 269

CHAP. III

Of the Accumulation of Capital, or of productive and unproductive Labour . 313

CHAP. IV

Of Stock lent at Interest 332

CHAP. V

Of the different Employment of Capitals 340

BOOK III

Of the different Progress of Opulence in different Nations

CHAP. I

Of the Natural Progress of Opulence 355

CHAP. II

Of the Discouragement of Agriculture in the ancient State of Europe after the Fall of the Roman Empire 360

CHAP. III

Of the Rise and Progress of Cities and Towns, after the Fall of the Roman Empire 371

CHAP. IV

How the Commerce of the Towns contributed to the Improvement of the Country 382

BOOK IV

Of Systems of political Œconomy

PAGE

INTRODUCTION 395

CHAP. I

Of the Principle of the commercial, or mercantile System 396

CHAP. II

Of Restraints upon the Importation from foreign Countries of such Goods as can be produced at Home 418

CHAP. III

Of the extraordinary Restraints upon the Importation of Goods of almost all Kinds, from those Countries with which the Balance is supposed to be disadvantageous 437

PART I. *Of the Unreasonableness of those Restraints even upon the Principles of the Commercial System* . . . . ibid.

Digression concerning Banks of Deposit, particularly concerning that of Amsterdam 443

PART II. *Of the Unreasonableness of those extraordinary Restraints upon other Principles* 452

EDITOR'S INTRODUCTION

THE first edition of the *Wealth of Nations* was published on the 9th of March,[1] 1776, in two volumes quarto, of which the first, containing Books I., II. and III., has 510 pages of text, and the second, containing Books IV. and V., has 587. The title-page describes the author as 'Adam Smith, LL.D. and F.R.S. Formerly Professor of Moral Philosophy in the University of Glasgow'. There is no preface or index. The whole of the Contents are printed at the beginning of the first volume. The price was £1 16s.[2]

The second edition appeared early in 1778, priced at £2 2s.,[3] but differing little in appearance from its predecessor. Its pages very nearly correspond, and the only very obvious difference is that the Contents are now divided between the two volumes. There are, however, a vast number of small differences between the first and second editions. One of the least of these, the alteration of 'late' to 'present,'[4] draws our attention to the curious fact that writing at some time before the spring of 1776 Adam Smith thought it safe to refer to the American troubles as 'the late disturbances'.[5] We cannot tell whether he thought the disturbances were actually over, or only that he might safely assume they would be over before the book was published. As 'present disturbances' also occurs close to 'late disturbances,'[6] we may perhaps conjecture that when correcting his proofs in the winter of 1775-6, he had altered his opinion and only allowed 'late' to stand by an oversight. A very large proportion of the alterations are merely verbal, and made for the sake of greater elegance or propriety of diction, such as the frequent change from 'tear and wear' (which occurs also in *Lectures*, p. 208) to the more ordinary 'wear and tear'. Most of the footnotes appear first in the second edition. A few corrections as to matters of fact are made, such as that in relation to the percentage of the tax on silver in Spanish America (vol. i., pp. 169, 170). Figures are corrected at vol. i., p. 327, and vol. ii., pp. 371, 374. New information is added here and there: an additional way of raising money by fictitious bills is described in the long note at vol. i., p. 294; the details from Sandi as to the introduction of the silk manufacture into Venice are added (vol. i., p. 379); so also are the accounts of the tax on servants in Holland (vol. ii., pp. 341-2), and the mention of an often forgotten but important quality of the land-tax, the possibility of reassessment within the parish (vol. ii., p. 329). There are some interesting alterations in the theory as to the emergence of profit and rent from primitive conditions, though Smith himself would probably be surprised at the importance which some modern inquirers attach to the points in question (vol. i., pp. 49-52). At vol. i., pp. 99, 100, the fallacious argument to prove that high profits raise prices more than high wages is entirely new, though the doctrine itself is asserted in another passage (vol. ii., p. 100). The insertion in the second edition of certain cross-references at vol. i., pp. 195, 311, which do not occur in the first edition, perhaps indicates that the Digressions on the Corn Laws and the Bank of Amsterdam were somewhat late additions to the scheme of the work. Beer is a necessary of life in one place and a luxury in another in the first edition, but is nowhere a necessary in the second (vol. i., p. 430; vol. ii., p. 355). The epigrammatic condemnation of the East India Company at vol. ii., p. 137, appears first in the second edition. At vol. ii., p. 284, we find 'Christian' substituted for 'Roman Catholic,' and the English puritans, who were 'persecuted' in the first edition, are only 'restrained' in the second (vol. ii., p. 90)—defections from the ultra-protestant standpoint perhaps due to the posthumous working of the influence of Hume upon his friend.

---

[1] John Rae, *Life of Adam Smith*, 1895, p. 284. [2] *Ibid.*, p. 285. [3] *Ibid.*, p. 324.

[4] Below, vol. i., p. 462; vol. ii., p. 423.

[5] See vol. ii., p. 79, as well as the passages referred to in the previous note.

[6] Vol. ii., pp. 75, 86, 115.

Between the second edition and the third, published at the end of 1784,[1] there are considerable differences. The third edition is in three volumes, octavo, the first running to the end of Book II., chapter ii., and the second from that point to the end of the chapter on Colonies, Book IV., chapter viii. The author by this time had overcome the reluctance he felt in 1778 to have his office in the customs added to his other distinctions[2] and consequently appears on the title-page as 'Adam Smith, LL.D. and F.R.S. of London and Edinburgh: one of the commissioners of his Majesty's Customs in Scotland; and formerly professor of Moral Philosophy in the University of Glasgow'. The imprint is 'London: printed for A. Strahan; and T. Cadell, in the Strand'. This edition was sold at one guinea.[3] Prefixed to it is the following 'Advertisement to the Third Edition':—

> 'The first Edition of the following Work was printed in the end of the year 1775, and in the beginning of the year 1776. Through the greater part of the Book, therefore, whenever the present state of things is mentioned, it is to be understood of the state they were in, either about that time, or at some earlier period, during the time I was employed in writing the Book. To this[4] third Edition, however, I have made several additions, particularly to the chapter upon Drawbacks, and to that upon Bounties; likewise a new chapter entitled, *The Conclusion of the Mercantile System;* and a new article to the chapter upon the expences of the sovereign. In all these additions, *the present state of things* means always the state in which they were during the year 1783 and the beginning of the present[5] year 1784.'

Comparing the second and the third editions we find that the additions to the third are considerable. As the Preface or 'Advertisement' just quoted remarks, the chapter entitled 'Conclusion of the Mercantile System' (vol. ii., pp. 141-60) is entirely new, and so is the section 'Of the Public Works and Institutions which are necessary for facilitating particular Branches of Commerce' (vol. ii., pp. 223-48). Certain passages in Book IV., chapter iii., on the absurdity of the restrictions on trade with France (vol. i., pp. 437-8 and 459-60), the three pages near the beginning of Book IV., chapter iv., upon the details of various drawbacks (vol. ii., pp. 2-5), the ten paragraphs on the herring fishery bounty (vol. ii., pp. 20-4) with the appendix on the same subject (pp. 435-7), and a portion of the discussion of the effects of the corn bounty (vol. ii.,

[1] Rae, *Life of Adam Smith*, p. 362.

[2] *Ibid.*, p. 323.

[3] *Ibid.*, p. 362.

[4] Edition 4 alters 'this' to 'the'.

[5] Edition 4 omits 'present'.

pp. 10-11) also appear first in the third edition. With several other additions and corrections of smaller size these passages were printed separately in quarto under the title of 'Additions and Corrections to the First and Second Editions of Dr. Adam Smith's Inquiry into the Nature and Causes of the Wealth of Nations'.[1] Writing to Cadell in December, 1782, Smith says:—

> 'I hope in two or three months to send you up the second edition corrected in many places, with three or four very considerable additions, chiefly to the second volume. Among the rest is a short but, I flatter myself, a complete history of all the trading companies in Great Britain. These additions I mean not only to be inserted at their proper places into the new edition, but to be printed separately and to be sold for a shilling or half a crown to the purchasers of the old edition. The price must depend on the bulk of the additions when they are all written out.'[2]

Besides the separately printed additions there are many minor alterations between the second and third editions, such as the complacent note on the adoption of the house tax (vol. ii., p. 328), the correction of the estimate of possible receipts from the turnpikes (vol. ii., p. 218, *note*), and the reference to the expense of the American war (vol. ii., p. 409), but none of these is of much consequence. More important is the addition of the lengthy index surmounted by the rather quaint superscription 'N.B. The Roman numerals refer to the Volume, and the figures to the Page'. We should not expect a man of Adam Smith's character to make his own index, and we may be quite certain that he did not do so when we find the misprint 'tallie' in vol. ii., p. 320, reappearing in the index (*s.v.* Montauban) though 'taille' has also a place there. But the index is far from suggesting the work of an unintelligent hack, and the fact that the 'Ayr bank' is named in it (*s.v.* Banks), though nameless in the text, shows either that the index-maker had a certain knowledge of Scotch banking history or that Smith corrected his work in places. That Smith received a packet from Strahan 'containing some part of the index' on 17th November, 1784, we know from his letter to Cadell, published in the *Economic Journal* for September, 1898. Strahan had inquired whether the index was to be printed in quarto along with the Additions and Corrections, and Smith reminded him that the numbers of the pages would all have to be altered to 'accommodate them to either of the two former editions, of which the pages do not in many places correspond'. There is therefore no reason for not treating the index as an integral part of the book.

---

[1] They are frequently found at the end of existing bound copies of the second edition. The statement in Rae, *Life of Adam Smith*, p. 362, that they were published in 1783 is a mistake; cp. the 'Advertisement to the Third Edition' above.

[2] Rae, *Life of Adam Smith*, p. 362.

The fourth edition, published in 1786, is printed in the same style and with exactly the same pagination as the third. It reprints the advertisement to the third edition, altering, however, the phrase 'this third Edition,' into 'the third Edition,' and 'the present year 1784' into 'the year 1784,' and adds the following 'Advertisement to the Fourth Edition':—

> 'In this fourth Edition I have made no alterations of any kind. I now, however, find myself at liberty to acknowledge my very great obligations to Mr. HENRY HOP[1] of Amsterdam. To that Gentleman I owe the most distinct, as well as liberal information, concerning a very interesting and important subject, the Bank of Amsterdam; of which no printed account had ever appeared to me satisfactory, or even intelligible. The name of that Gentleman is so well known in Europe, the information which comes from him must do so much honour to whoever has been favoured with it, and my vanity is so much interested in making this acknowledgment, that I can no longer refuse myself the pleasure of prefixing this Advertisement to this new Edition of my Book.'

In spite of his statement that he had made no alterations of any kind, Smith either made or permitted a few trifling alterations between the third and fourth editions. The subjunctive is very frequently substituted for the indicative after 'if,' the phrase 'if it was' in particular being constantly altered to 'if it were'. In the note at vol. i., p. 71, 'late disturbances' is substituted for 'present disturbances'. The other differences are so trifling that they may be misreadings or unauthorised corrections of the printers.

The fifth edition, the last published in Smith's lifetime and consequently the one from which the present edition has been copied, is dated 1789. It is almost identical with the fourth, the only difference being that the misprints of the fourth edition are corrected in the fifth and a considerable number of fresh ones introduced, while several false concords—or concords regarded as false—are corrected (see vol. i., p. 108; vol. ii., pp. 215, 249).[1]

---

[1] Corrected to 'Hope' in edition 5. The celebrated firm of Hope, merchant-bankers in Amsterdam, was founded by a Scotchman in the seventeenth century (see Sir Thomas Hope in the *Dictionary of National Biography*). Henry Hope was born in Boston, Mass., in 1736, and passed six years in a banking house in England before he joined his relatives in Amsterdam. He became a partner with them, and on the death of Adrian Hope the conduct of the whole of the business of the firm devolved upon him. When the French invaded Holland in 1794 he retired to England. He died on 25th February, 1811, leaving £1,160,000 (*Gentleman's Magazine*, March, 1811).

It is clear from the passage at vol. ii., p. 177, that Smith regarded the title 'An Inquiry into the Nature and Causes of the Wealth of Nations' as a synonym for 'political œconomy,' and it seems perhaps a little surprising that he did not call his book '*Political Œconomy*' or '*Principles of Political Œconomy*'. But we must remember that the term was still in 1776 a very new one, and that it had been used in the title of Sir James Steuart's great book, *An Inquiry into the Principles of Political Œconomy: being an Essay on the Science of Domestic Policy in Free Nations*, which was published in 1767. Nowadays, of course, no author has any special claim to exclusive use of the title. We should as soon think of claiming copyright for the title 'Arithmetic' or 'Elements of Geology' as for 'Principles of Political Economy'. But in 1776 Adam Smith may well have refrained from using it simply because it had been used by Steuart nine years before, especially considering the fact that the *Wealth of Nations* was to be brought out by the publishers who had brought out Steuart's book.[2]

From 1759 at the latest an early draft of what subsequently developed into the *Wealth of Nations* existed in the portion of Smith's lectures on 'Jurisprudence' which he called 'Police, Revenue and Arms,' the rest of 'Jurisprudence' being 'Justice' and the 'Laws of Nations.' Jurisprudence he defined as 'that science which inquires into the general principles which ought to be the foundation of the laws of all nations,' or as 'the theory of the general principles of law and government'.[1] In forecasting his lectures on the subject he told his students:—

---

[1] Most modern editions are copied from the fourth edition. Thorold Rogers' edition, however, though said in the preface to be copied from the fourth, as a matter of fact follows the third. In one instance indeed the omission of 'so' before 'as long as' at vol. i., p. 44, line 25 (in the present edition), Rogers' text agrees with that of the fourth edition rather than the third, but this is an accidental coincidence in error; the error is a particularly easy one to make, and it is actually corrected in the errata to the fourth edition, so that it is not really the reading of that edition. The fifth edition must not be confused with a spurious 'fifth edition with additions' in 2 vols. 8vo, published in Dublin in 1793, with the 'Advertisement to the third edition' deliberately falsified by the substitution of 'fifth' for 'third' in the sentence 'To the third edition however I have made several additions'. It is perhaps the existence of this spurious fifth edition which has led several writers (e.g., Rae, *Life of Adam Smith*, p. 295) to ignore the genuine fifth edition. The sixth edition is dated 1791.

[2] Steuart's *Principles* was 'printed for A. Millar, and T. Cadell in the Strand'; and the *Wealth of Nations* 'for W. Strahan; and T. Cadell, in the Strand'.

> 'The four great objects of law are justice, police, revenue and arms.
>
> 'The object of justice is the security from injury, and it is the foundation of civil government.
>
> 'The objects of police are the cheapness of commodities, public security, and cleanliness, if the two last were not too minute for a lecture of this kind. Under this head we will consider the opulence of a state.
>
> 'It is likewise necessary that the magistrate who bestows his time and labour in the business of the state should be compensated for it. For this purpose and for defraying the expenses of government some fund must be raised. Hence the origin of revenue. The subject of consideration under this head will be the proper means of levying revenue, which must come from the people by taxes, duties, &c. In general, whatever revenue can be raised most insensibly from the people ought to be preferred, and in the sequel it is proposed to be shown how far the laws of Britain and other European nations are calculated for this purpose.
>
> 'As the best police cannot give security unless the government can defend themselves from foreign injuries and attacks, the fourth thing appointed by law is for this purpose; and under this head will be shown the different species of arms with their advantages and disadvantages, the constitution of standing armies, militias, &c.
>
> 'After these will be considered the laws of nations. . . .'[2]

The connection of revenue and arms with the general principles of law and government is obvious enough, and no question arises as to the explanation on these heads given by the forecast. But to 'consider the opulence of a state' under the head of 'police' seems at first sight a little strange. For the explanation we turn to the beginning of the part of the lectures relating to Police.

> 'Police is the second general division of jurisprudence. The name is French, and is originally derived from the Greek πολιτεία, which properly signified the policy of civil government, but now it only means the regulation of the inferior parts of government, *viz.*: cleanliness, security, and cheapness or plenty.'[3]

That this definition of the French word was correct is well shown by the following passage from a book which is known to have been in Smith's possession at his death,[1] Bielfeld's *Institutions politiques*, 1760 (tom. i., p. 99).

---

[1] *Lectures on Justice, Police, Revenue and Arms*, delivered in the University of Glasgow by Adam Smith. Reported by a student in 1763, and edited with an Introduction and Notes by Edwin Cannan, 1896, pp. 1, 3.

[2] *Ibid.*, pp. 3, 4.

[3] *Lectures*, p. 154.

> 'Le premier Président du Harlay en recevant M. d'Argenson à la charge de lieutenant général de police de la ville de Paris, lui adressa ces paroles, qui méritent d'être remarquées : Le Roi, Monsieur, vous demande sûreté, netteté, bon-marché. En effet ces trois articles comprennent toute la police, qui forme le troisième grand objet de la politique pour l'intérieur de l'État.'

When we find that the chief of the Paris police in 1697 was expected to provide cheapness as well as security and cleanliness, we wonder less at the inclusion of 'cheapness or plenty' or the 'opulence of a state' in 'jurisprudence' or 'the general principles of law and government'. 'Cheapness is in fact the same thing with plenty,' and 'the consideration of cheapness or plenty' is 'the same thing' as 'the most proper way of securing wealth and abundance'.[2] If Adam Smith had been an old-fashioned believer in state control of trade and industry he would have described the most proper regulations for securing wealth and abundance, and there would have been nothing strange in this description coming under the 'general principles of law and government'. The actual strangeness is simply the result of Smith's negative attitude—of his belief that past and present regulations were for the most part purely mischievous.

The two items, cleanliness and security, he managed to dismiss very shortly : 'the proper method of carrying dirt from the streets, and the execution of justice, so far as it regards regulations for preventing crimes or the method of keeping a city guard, though useful, are too mean to be considered in a general discourse of this kind'.[3] He only offered the observation that the establishment of arts and commerce brings about independency and so is the best police for preventing crimes. It gives the common people better wages, and 'in consequence of this a general probity of manners takes place through the whole country. Nobody will be so mad as to expose himself upon the highway, when he can make better bread in an honest and industrious manner.'[4]

He then came to 'cheapness or plenty, or, which is the same thing, the most proper way of securing wealth and abundance'.

---

[1] See James Bonar, *Catalogue of the Library of Adam Smith*, 1894.
[2] *Lectures*, p. 157. [3] *Ibid.*, p. 154. [4] *Ibid.*, p. 156.

He began this part of the subject by considering the 'natural wants of mankind which are to be supplied,'[1] a subject which has since acquired the title of 'consumption' in economic treatises. Then he showed that opulence arises from division of labour, and why this is so, or how the division of labour 'occasions a multiplication of the product,'[2] and why it must be proportioned to the extent of commerce. 'Thus,' he said, 'the division of labour is the great cause of the increase of public opulence, which is always proportioned to the industry of the people, and not to the quantity of gold and silver as is foolishly imagined'. 'Having thus shown what gives occasion to public opulence,' he said he would go on to consider:—

> 'First, what circumstances regulate the price of commodities:
> 'Secondly, money in two different views, first as the measure of value and then as the instrument of commerce:
> 'Thirdly, the history of commerce, in which shall be taken notice of the causes of the slow progress of opulence, both in ancient and modern times, which causes shall be shown either to affect agriculture or arts and manufactures:
> 'Lastly, the effects of a commercial spirit, on the government, temper, and manners of a people, whether good or bad, and the proper remedies.'[3]

Under the first of these heads he treated of natural and market price and of differences of wages, and showed 'that whatever police tends to raise the market price above the natural, tends to diminish public opulence'.[4] Among such pernicious regulations he enumerated taxes upon necessaries, monopolies, and exclusive privileges of corporations. Regulations which bring market price below natural price he regarded as equally pernicious, and therefore he condemned the corn bounty, which attracted into agriculture stock which would have been better employed in some other trade. 'It is by far the best police to leave things to their natural course.'[5]

Under the second head he explained the reasons for the use of money as a common standard and its consequential use as the instrument of commerce. He showed why gold and silver were commonly chosen and why coinage was introduced, and proceeded to explain the evils of tampering with the currency, and the difficulty of keeping gold and silver money in circulation at the same time. Money being a dead stock, banks and paper credit, which enable money to be dispensed with and sent abroad, are beneficial. The money sent abroad will 'bring home materials for food, clothes, and lodging,' and, 'whatever commodities are imported, just so much is added to the opulence of the country'.[1] It is 'a bad police to restrain' banks.[2] Mun, 'a London merchant,' affirmed 'that as England is drained of its money it must go to ruin'.[3] 'Mr. Gee, likewise a merchant,' endeavoured to 'show that England would soon be ruined by trade with foreign countries,' and that 'in almost all our commercial dealings with other nations we are losers'.[4] Mr. Hume had shown the absurdity of these and other such doctrines, though even he had not kept quite clear of 'the notion that public opulence consists in money'.[5] Money is not consumable, and 'the consumptibility, if we may use the word, of goods, is the great cause of human industry'.[6]

---

[1] *Lectures*, p. 157.
[2] *Ibid.*, p. 163.
[3] *Ibid.*, pp. 172-3.
[4] *Ibid.*, p. 178.
[5] *Ibid.*, p. 182.

The absurd opinion that riches consist in money had given rise to 'many prejudicial errors in practice,'[7] such as the prohibition of the exportation of coin and attempts to secure a favourable balance of trade. There will always be plenty of money if things are left to their free course, and no prohibition of exportation will be effectual. The desire to secure a favourable balance of trade has led to 'most pernicious regulations,'[8] such as the restrictions on trade with France.

> 'The absurdity of these regulations will appear on the least reflection. All commerce that is carried on betwixt any two countries must necessarily be advantageous to both. The very intention of commerce is to exchange your own commodities for others which you think will be more convenient for you. When two men trade between themselves it is undoubtedly for the advantage of both. . . . The case is exactly the same betwixt any two nations. The goods which the English merchants want to import from France are certainly more valuable to them than what they give for them.'[9]

These jealousies and prohibitions were most hurtful to the richest nations, and it would benefit France and England especially, if 'all national prejudices were rooted out and a free and uninterrupted commerce established'.[1] No nation was ever ruined by this balance of trade. All political writers since the time of Charles II. had been prophesying 'that in a few years we would be reduced to an absolute state of poverty,' but 'we find ourselves far richer than before'.[2]

---

[1] *Lectures*, p. 192.
[2] *Ibid.*, p. 195.
[3] *Ibid.*, p. 195.
[4] *Ibid.*, p. 196.
[5] *Ibid.*, p. 197.
[6] *Ibid.*, p. 199.
[7] *Ibid.*, p. 200.
[8] *Ibid.*, p. 204.
[9] *Ibid.*, p. 204.

The erroneous notion that national opulence consists in money had also given rise to the absurd opinion that 'no home consumption can hurt the opulence of a country'.[3]

It was this notion too that led to Law's Mississippi scheme, compared to which our own South Sea scheme was a trifle.[4]

Interest does not depend on the value of money, but on the quantity of stock. Exchange is a method of dispensing with the transmission of money.[5]

Under the third heading, the history of commerce, or the causes of the slow progress of opulence, Adam Smith dealt with 'first, natural impediments, and secondly, the oppression of civil government'.[6] He is not recorded to have mentioned any natural impediments except the absence of division of labour in rude and barbarous times owing to the want of stock.[7] But on the oppression of civil government he had much to say. At first governments were so feeble that they could not offer their subjects that security without which no man has any motive to be industrious. Afterwards, when governments became powerful enough to give internal security, they fought among themselves, and their subjects were harried by foreign enemies. Agriculture was hindered by great tracts of land being thrown into the hands of single persons. This led at first to cultivation by slaves, who had no motive to industry; then came tenants by steelbow (metayers) who had no sufficient inducement to improve the land; finally the present method of cultivation by tenants was introduced, but these for a long time were insecure in their holdings, and had to pay rent in kind, which made them liable to be severely affected by bad seasons. Feudal subsidies discouraged industry, the law of primogeniture, entails, and the expense of transferring land prevented the large estates from being divided. The restrictions on the export of corn helped to stop the progress of agriculture. Progress in arts and commerce was also hindered by slavery, as well as by the ancient contempt for industry and commerce, by the want of enforcement of contracts, by the various difficulties and dangers of transport, by the establishment of fairs, markets and staple towns, by duties on imports and exports, and by monopolies, corporation privileges, the statute of apprenticeship and bounties.[1]

---

[1] *Lectures*, p. 206.
[2] *Ibid.*, p. 207.
[3] *Ibid.*, p. 209.
[4] *Ibid.*, pp. 211-19.
[5] *Ibid.*, pp. 219-22.
[6] *Ibid.*, p. 222.
[7] *Ibid.*, pp. 222-3.

Under the fourth and last head, the influence of commerce on the manners of a people, Smith pronounced that 'whenever commerce is introduced into any country probity and punctuality always accompany it'.[2] The trader deals so often that he finds honesty is the best policy. 'Politicians are not the most remarkable men in the world for probity and punctuality. Ambassadors from different nations are still less so,'[3] the reason being that nations treat with one another much more seldom than merchants.

But certain inconveniences arise from a commercial spirit. Men's views are confined, and 'when a person's whole attention is bestowed on the seventeenth part of a pin or the eightieth part of a button,'[4] he becomes stupid. Education is neglected. In Scotland the meanest porter can read and write, but at Birmingham boys of six or seven can earn threepence or sixpence a day, so that their parents set them to work early and their education is neglected. To be able merely to read is good as it 'gives people the benefit of religion, which is a great advantage, not only considered in a pious sense, but as it affords them subject for thought and speculation.'[5] There is too 'another great loss which attends the putting boys too soon to work'. The boys throw off parental authority, and betake themselves to drunkenness and riot. The workmen in the commercial parts of England are consequently in a 'despicable condition; their work through half the week is sufficient to maintain them, and through want of education they have no amusement for the other but riot and debauchery. So it may very justly be said that the people who clothe the whole world are in rags themselves.'[6]

---

[1] *Lectures*, pp. 223-36.

[2] *Ibid.*, p. 253.

[3] *Ibid.*, p. 254.

[4] *Ibid.*, p. 255.

[5] *Ibid.*, p. 256.

[6] *Ibid.*, pp. 256, 257.

Further, commerce sinks courage and extinguishes martial spirit; the defence of the country is handed over to a special class, and the bulk of the people grow effeminate and dastardly, as was shown by the fact that in 1745 'four or five thousand naked unarmed Highlanders would have overturned the government of Great Britain with little difficulty if they had not been opposed by a standing army'.[1]

'To remedy' these evils introduced by commerce 'would be an object worthy of serious attention.'

Revenue, at any rate in the year when the notes of his lectures were made, was treated by Adam Smith before the last head of police just discussed, ostensibly on the ground that it was in reality one of the causes of the slow progress of opulence.[2]

Originally, he taught, no revenue was necessary; the magistrate was satisfied with the eminence of his station and any presents he might receive. The receipt of presents soon led to corruption. At first too soldiers were unpaid, but this did not last. The earliest method adopted for supplying revenue was assignment of lands to the support of government. To maintain the British government would require at least a fourth of the whole of the land of the country. 'After government becomes expensive, it is the worst possible method to support it by a land rent.'[3] Civilisation and expensive government go together.

Taxes may be divided into taxes upon possessions and taxes upon commodities. It is easy to tax land, but difficult to tax stock or money; the land tax is very cheaply collected and does not raise the price of commodities and thus restrict the number of persons who have stock sufficient to carry on trade in them. It is hard on the landlords to have to pay both land tax and taxes on consumption, which fact 'perhaps occasions the continuance of what is called the Tory interest'.[4]

Taxes on consumptions are best levied by way of excise. They have the advantage of 'being paid imperceptibly,'[5] since 'when we buy a pound of tea we do not reflect that the most part of the price is a duty paid to the government, and therefore pay it contentedly, as though it were only the natural price of the commodity'.[1] Such taxes too are less likely to ruin people than a land tax, as they can always reduce their expenditure on dutiable articles.

---

[1] *Lectures*, p. 258.
[2] *Ibid.*, p. 236.
[3] *Ibid.*, p. 239.
[4] *Ibid.*, pp. 241, 242.
[5] *Ibid.*, pp. 242, 243.

A fixed land tax like the English is better than one which varies with the rent like the French, and 'the English are the best financiers in Europe, and their taxes are levied with more propriety than those of any other country whatever'.[2] Taxes on importation are hurtful because they divert industry into an unnatural channel, but taxes on exportation are worse. The common belief that wealth consists in money has not been so hurtful as might have been expected in regard to taxes on imports, since it has accidentally led to the encouragement of the import of raw material and discouragement of the import of manufactured articles.[3]

From treating of revenue Adam Smith was very naturally led on to deal with national debts, and this led him into a discussion of the causes of the rise and fall of stocks and the practice of stock-jobbing.[4]

Under Arms he taught that at first the whole people goes out to war: then only the upper classes go and the meanest stay to cultivate the ground. But afterwards the introduction of arts and manufactures makes it inconvenient for the rich to leave their business, and the defence of the state falls to the meanest. 'This is our present condition in Great Britain.'[5] Discipline now becomes necessary and standing armies are introduced. The best sort of army is 'a militia commanded by landed gentlemen in possession of the public offices of the nation,'[6] which 'can never have any prospect of sacrificing the liberties of the country'. This is the case in Sweden.

Now let us compare with this the drift of the *Wealth of Nations*, not as it is described in the 'Introduction and Plan,' but as we find it in the body of the work itself.

Book I. begins by showing that the greatest improvement in the productive powers of industry is due to division of labour. From division of labour it proceeds to money, because money is necessary in order to facilitate division of labour, which depends upon exchange. This naturally leads to a discussion of the terms on which exchanges are effected, or value and price. Consideration of price reveals the fact that it is divided between wages, profit and rent, and is therefore dependent on the rates of wages, profit and rent, so that it is necessary to discuss in four chapters variations in these rates.

---

[1] *Lectures*, p. 243.
[2] *Ibid.*, p. 245.
[3] *Ibid.*, pp. 246, 247.
[4] *Ibid.*, pp. 247-52.
[5] *Ibid.*, p. 261.
[6] *Ibid.*, p. 263.

Book II. treats first of the nature and divisions of stock, secondly of a particularly important portion of it, namely money, and the means by which that part may be economised by the operations of banking, and thirdly the accumulation of capital, which is connected with the employment of productive labour. Fourthly it considers the rise and fall of the rate of interest, and fifthly and lastly the comparative advantage of different methods of employing capital.

Book III. shows that the natural progress of opulence is to direct capital, first to agriculture, then to manufactures, and lastly to foreign commerce, but that this order has been inverted by the policy of modern European states.

Book IV. deals with two different systems of political economy: (1) the system of commerce, and (2) the system of agriculture, but the space given to the former, even in the first edition, is eight times as great as that given to the latter. The first chapter shows the absurdity of the principle of the commercial or mercantile system, that wealth is dependent on the balance of trade; the next five discuss in detail and show the futility of the various mean and malignant expedients by which the mercantilists endeavoured to secure their absurd object, namely, general protectionist duties, prohibitions and heavy duties directed against the importation of goods from particular countries with which the balance is supposed to be disadvantageous, drawbacks, bounties, and treaties of commerce. The seventh chapter, which is a long one, deals with colonies. According to the forecast at the end of chapter i. this subject comes here because colonies were established in order to encourage exportation by means of peculiar privileges and monopolies. But in the chapter itself there is no sign of this. The history and progress of colonies is discussed for its own sake, and it is not alleged that important colonies have been founded with the object suggested in chapter i.

In the last chapter of the Book, the physiocratic system is described, and judgement is pronounced against it as well as the commercial system. The proper system is that of natural liberty, which discharges the sovereign from 'the duty of superintending the industry of private people and of directing it towards the employments most suitable to the interest of the society'.

Book V. deals with the expenses of the sovereign in performing the duties left to him, the revenues necessary to meet those expenses and the results of expenses exceeding revenue. The discussion of expenses of defence includes discussion of different kinds of military organisation, courts of law, means of maintaining public works, education, and ecclesiastical establishments.

Putting these two sketches together we can easily see how closely related the book is to the lectures.

The title 'Police' being dropped as not sufficiently indicating the subject, there is no necessity for the mention of cleanliness, and the remarks on security are removed to the chapter on the accumulation of capital. The two sections on the natural wants of mankind are omitted,[1] illustrating once more the difficulty which economists have generally felt about consumption. The next four sections, on division of labour, develop into the first three chapters of Book I. of the *Wealth of Nations*. At this point in the lectures there is an abrupt transition to prices, followed by money, the history of commerce and the effects of a commercial spirit, but in the *Wealth of Nations* this is avoided by taking money next, as the machinery by the aid of which labour is divided, and then proceeding by a very natural transition to prices. In the lectures the discussion of money led to a consideration of the notion that wealth consisted in money and of all the pernicious consequences of that delusion in restricting banking and foreign trade. This was evidently overloading the theory of money, and consequently banking is postponed to the Book about capital, on the ground that it dispenses with money, which is a dead stock, and thus economises capital, while the commercial policy is relegated by itself to Book IV. In the lectures, again, wages are only dealt with slightly under prices, and profits and rent not at all; in the *Wealth of Nations* wages, profits and rent are dealt with at length as component parts of price, and the whole produce of the country is said to be distributed into them as three shares.

---

[1] There is a reminiscence of them in the chapter on Rent, vol. i., pp. 164-5.

The next part of the lectures, that dealing with the causes of the slow progress of opulence, forms the foundation for Book III. of the *Wealth of Nations*. The influence of commerce on manners disappears as an independent heading, but most of the matter dealt with under it is utilised in the discussions of education and military organisation.

Besides consumption, two other subjects, stock-jobbing and the Mississippi scheme, which are treated at some length in the lectures, are altogether omitted in the *Wealth of Nations*. The description of stock-jobbing was probably left out because better suited to the youthful hearers of the lectures than to the maturer readers of the book. The Mississippi scheme was omitted, Smith himself says, because it had been adequately discussed by Du Verney.

Here and there discrepancies may be found between the opinions expressed in the lectures and those expressed in the book. The reasonable and straightforward view of the effects of the corn bounty is replaced by a more recondite though less satisfactory doctrine. The remark as to the inconvenience of regulations on foreign commerce having been alleviated by the fact that they encourage trade with countries from which imported raw materials came and discourage it with those from which manufactured goods came[1] does not reappear in the book. The passage in the *Lectures* is probably much condensed, and perhaps misrepresents what Adam Smith said. If it does not, it shows him to have been not entirely free from protectionist fallacies at the time the lectures were delivered.[2]

There are some very obvious additions, the most prominent being the account of the French physiocratic or agricultural system which occupies the last chapter of Book IV. The article on the relations of church and state (Bk. V., ch. i., pt. iii., art. 3) also appears to be a clear addition, at any rate in so far as the lectures on police and revenue are concerned, but, as we shall see presently, tradition seems to say that Smith did deal with ecclesiastical establishments in this department of his lectures on jurisprudence, so that possibly the lecture notes are deficient at this particular point, or the subject was omitted for the particular year in which the notes were taken. Then there is the long chapter on colonies. The fact of colonies having attracted Adam Smith's attention during the interval between the lectures and the publication of his book is not very surprising when we remember that the interval coincided almost exactly with the period from the beginning of the attempt to tax the colonies to the Declaration of Independence.

---

[1] See above, p. xxvi.

[2] See below, pp. xlvi, xlvii, for a conjecture on this subject.

But these additions are of small importance compared with the introduction of the theory of stock or capital and unproductive labour in Book II., the slipping of a theory of distribution into the theory of prices towards the end of Book I., chapter vi., and the emphasising of the conception of annual produce. These changes do not make so much real difference to Smith's own work as might be supposed; the theory of distribution, though it appears in the title of Book I., is no essential part of the work and could easily be excised by deleting a few paragraphs in Book I., chapter vi., and a few lines elsewhere; if Book II. were altogether omitted the other Books could stand perfectly well by themselves. But to subsequent economics they were of fundamental importance. They settled the form of economic treatises for a century at least.

They were of course due to the acquaintance with the French *Économistes* which Adam Smith made during his visit to France with the Duke of Buccleugh in 1764-6. It has been said that he might have been acquainted with many works of this school before the notes of his lectures were taken, and so he might. But the notes of his lectures are good evidence to show that as a matter of fact he was not, or at any rate that he had not assimilated their main economic theories. When we find that there is no trace of these theories in the *Lectures* and a great deal in the *Wealth of Nations*, and that in the meantime Adam Smith had been to France and mixed with all the prominent members of the 'sect,' including their master, Quesnay, it is difficult to understand why we should be asked, without any evidence, to refrain from believing that he came under physiocratic influence after and not before or during his Glasgow period.

The confession of faith of the *Économistes* is embodied in Quesnay's *Tableau Économique*, which one of them described as worthy of being ranked, along with writing and money, as one of the three greatest inventions of the human race.[1] It is reprinted on the next page from the facsimile of the edition of 1759, published by the British Economic Association (now the Royal Economic Society) in 1894.

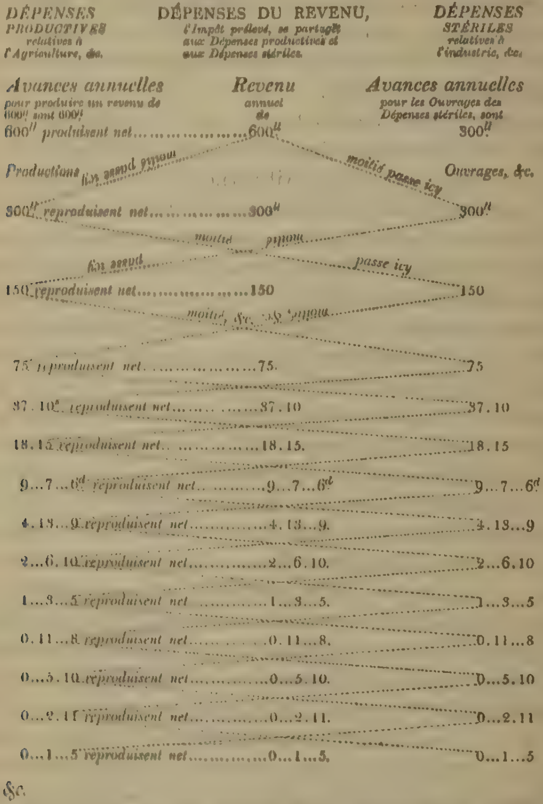
Those who are curious as to the exact meaning of the zigzag lines may study Quesnay's *Explication*, which the British Economic Association published along with the table in 1894. For our present purposes it is sufficient to see (1) that it involves a conception of the whole annual produce or reproduction of a country; (2) that it teaches that some labour is unproductive, that to maintain the annual produce certain '*avances*' are necessary, and that this annual produce is 'distributed'. Adam Smith, as his chapter on agricultural systems shows, did not appreciate the minutiæ of the table very highly, but he certainly took these main ideas and adapted them as well as he could to his Glasgow theories. With those theories the conception of an annual produce was in no way inconsistent, and he had no difficulty in adopting annual produce as the wealth of a nation, though he very often forgetfully falls back into older ways of speaking. As to unproductive labour, he was not prepared to condemn the whole of Glasgow industry as sterile, but was ready to place the mediæval retainer and even the modern menial servant in the unproductive class. He would even go a little farther and put along with them all whose labour did not produce particular vendible objects, or who were not employed for the money-gain of their employers. Becoming somewhat confused among these distinctions and the physiocratic doctrine of '*avances*,' he imagined a close connexion between the employment of productive labour and the accumulation and employment of capital. Hence with the aid of the common observation that where a capitalist appears, labourers soon spring up, he arrived at the view that the amount of capital in a country de-

---

[1] Below, vol. ii., p. 177, note 2.

TABLEAU ÉCONOMIQUE.

Objets à considérer, 1°. Trois sortes de dépenses, 2°. leur source ; 3°. leurs avances ; 4°. leur distribution ; 5° leurs effets, 6°. leur reproduction ; 7°. leurs rapports entr'elles, 8°. leurs rapports avec la population ; 9°. avec l'Agriculture ; 10°. avec l'industrie ; 11°. avec le commerce ; 12°. avec la masse des richesses d'une Nation.


DÉPENSES PRODUCTIVES relatives à l'Agriculture, &c.
DÉPENSES DU REVENU, l'Impôt prélevé, se partagé aux Dépenses productives et aux Dépenses stériles.
DÉPENSES STÉRILES relatives à l'industrie, &c.
Avances annuelles pour produire un revenu de 600ll sont 600ll
Revenu annuel de
Avances annuelles pour les Ouvrages des Dépenses stériles, sont
600ll produisent net......................600ll
300ll
Productions
moitié passe icy
moitié passe icy
Ouvrages, &c.
300ll reproduisent net....................300ll
300ll
moitié
moitié
passe icy
passe icy
150 reproduisent net....................150
150
moitié, &c.
moitié, &c.
75 reproduisent net....................75
75
37.10s reproduisent net....................37.10
37.10
18.15 reproduisent net....................18.15.
18.15
9...7...6d reproduisent net....................9...7...6d
9...7...6d
4.13...9 reproduisent net....................4.13...9.
4.13...9
2...6.10 reproduisent net....................2...6.10.
2...6.10
1...3...5 reproduisent net....................1...3...5.
1...3...5
0.11...8 reproduisent net....................0.11...8.
0.11...8
0...5.10 reproduisent net....................0...5.10.
0...5.10
0...2.11 reproduisent net....................0...2.11.
0...2.11
0...1...5 reproduisent net....................0...1...5.
0...1...5
&c.

REPRODUIT TOTAL......................600ll de revenu ; de plus, les frais annuels de 600ll et les intérêts des avances primitives du Laboureur, de 300ll que la terre restitue. Ainsi la reproduction est de 1500ll compris le revenu de 600ll qui est la base du calcul, abstraction faite de l'impôt prélevé, et des avances qu'exige sa reproduction annuelle, &c. Voyez l'Explication à la page suivante.

termines the number of 'useful and productive' labourers. Finally he slipped into his theory of prices and their component parts the suggestion that as the price of any one commodity is divided between wages, profits and rent, so the whole produce is divided between labourers, capitalists, and landlords.

These ideas about capital and unproductive labour are certainly of great importance in the history of economic theory, but they were fundamentally unsound, and were never so universally accepted as is commonly supposed. The conception of the wealth of nations as an annual produce, annually distributed, however, has been of immense value. Like other conceptions of the kind it was certain to come. It might have been evolved direct from Davenant or Petty nearly a century before. We need not suppose that some one else would not soon have given it its place in English economics if Adam Smith had not done so, but that need not deter us from recording the fact that it was he who introduced it, and that he introduced it in consequence of his association with the *Économistes*.

If we attempt to carry the history of the origin of the *Wealth of Nations* farther back than the date of the lecture notes in 1763 or thereabouts, we can still find a small amount of authentic information. We know that Smith must have been using practically the same divisions in his lectures in 1759, since he promises in the last paragraph of the *Moral Sentiments* published in that year, 'another discourse' in which he would 'endeavour to give an account of the general principles of law and government, and of the different revolutions they have undergone in the different ages and periods of society, not only in what concerns justice, but in what concerns police, revenue and arms, and whatever else is the object of law.' It seems probable, however, that the economic portion of the lectures was not always headed 'police, revenue, and arms,' since Millar, who attended the lectures when they were first delivered in 1751-2, says:—

'In the last part of his lectures he examined those political regulations which are founded not upon the principle of *justice*, but that of *expediency*, and which are calculated to increase the riches, the power and the prosperity of a state. Under this view, he considered the political institutions relating to commerce, to finances, to ecclesiastical and military establishments. What he delivered on these subjects contained the substance of the work he afterwards published under the title of "An Inquiry into the Nature and Causes of the Wealth of Nations".'[1]

Of course this is not necessarily inconsistent with the economic lectures having been denominated police, revenue, and arms, even at that early date, but the italicising of 'justice' and 'expediency,' if due to Millar, rather suggests the contrary, and there is no denying that the arrangement of 'cheapness or plenty' under 'police' may very well have been an afterthought fallen upon to justify the introduction of a mass of economic material into lectures on Jurisprudence. As to the reason why that introduction took place the circumstances of Smith's first active session at Glasgow suggest another motive besides his love for the subject, which, we may notice, did not prevent him from publishing his views on Ethics first.

His first appointment at Glasgow, it must be remembered, was to the Professorship of Logic in January, 1751, but his engagements at Edinburgh prevented his performing the duties that session. Before the beginning of next session he was asked to act as deputy for Craigie, the Professor of Moral Philosophy, who was going away for the benefit of his health. He consented, and consequently in the session of 1751-2 he had to begin the work of two professorships, as to one of which he had very little previous warning.[2] Every teacher in such a position would do his best to utilise any suitable material which he happened to have by him, and most men would even stretch a point to utilise even what was not perfectly suitable.

Now we know that Adam Smith possessed in manuscript in the hand of a clerk employed by him certain lectures which he read at Edinburgh in the winter of 1750-1, and we know that in these lectures he preached the doctrine of the beneficial effects of freedom, and, according to Dugald Stewart, 'many of the most important opinions in the *Wealth of Nations*'. There existed when Stewart wrote, 'a short manuscript drawn up by Mr. Smith in the year

---

[1] Dugald Stewart, in his 'Account of the Life and Writings of Adam Smith,' read to the Royal Society of Edinburgh in 1793 and published in Adam Smith's posthumous *Essays on Philosophical Subjects*, 1795, p. xviii. See Rae, *Life of Adam Smith*, pp. 53-5.

[2] Rae, *Life of Adam Smith*, pp. 42-5.

1755 and presented by him to a society of which he was then a member'. Stewart says of this paper:—

> 'Many of the most important opinions in *The Wealth of Nations* are there detailed; but I shall quote only the following sentences: "Man is generally considered by statesmen and projectors as the materials of a sort of political mechanics. Projectors disturb nature in the course of her operations in human affairs; and it requires no more than to let her alone, and give her fair play in the pursuit of her ends that she may establish her own designs." And in another passage: "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel or which endeavour to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical.—A great part of the opinions," he observes, "enumerated in this paper is treated of at length in some lectures which I have still by me, and which were written in the hand of a clerk who left my service six years ago. They have all of them been the constant subjects of my lectures since I first taught Mr. Craigie's class, the first winter I spent in Glasgow, down to this day, without any considerable variation. They had all of them been the subjects of lectures which I read at Edinburgh the winter before I left it, and I can adduce innumerable witnesses both from that place and from this, who will ascertain them sufficiently to be mine."'[1]

It seems then that, when confronted with the two professorial chairs in 1751, Smith had by him some lectures on progress, very likely explaining 'the slow progress of opulence,' and that, as anyone in such circumstances would have liked to do, he put them into his moral philosophy course.

As it happened, there was no difficulty in doing this. It seems nearly certain that Craigie himself suggested that it should be done. The request that Smith would take Craigie's work came through Cullen, and in answering Cullen's letter, which has not been preserved, Smith says, 'You mention natural jurisprudence and politics as the parts of his lectures which it would be most agreeable for me to teach. I shall very willingly undertake both.'[2] Craigie doubtless knew what Smith had been lecturing upon in Edinburgh in the previous winter and called it 'politics'.

Moreover the traditions of the Chair of Moral Philosophy, as known to Adam Smith, required a certain amount of economics. A dozen years earlier he had himself been a student when Francis Hutcheson was professor. So far as we can judge from Hutcheson's *System of Moral Philosophy*, which, as Dr. W. R. Scott has shown,[1] was already in existence when Smith was a student, though not published till 1755, Hutcheson lectured first on Ethics, next upon what might very well be called Natural Jurisprudence, and thirdly upon Civil Polity. Through the two latter parts a considerable quantity of economic doctrine is scattered.

---

[1] Stewart, in Smith's *Essays*, pp. lxxx, lxxxi.

[2] Rae, *Life of Adam Smith*, pp. 43-4.

In considering 'The Necessity of a Social Life,' Hutcheson points out that a man in solitude, however strong and instructed in the arts, 'could scarce procure to himself the bare necessaries of life even in the best soils or climates'.

> 'Nay 'tis well known that the produce of the labours of any given number, twenty for instance, in providing the necessaries or conveniences of life, shall be much greater by assigning to one a certain sort of work of one kind in which he will soon acquire skill and dexterity, and to another assigning work of a different kind, than if each one of the twenty were obliged to employ himself by turns in all the different sorts of labour requisite for his subsistence without sufficient dexterity in any. In the former method each procures a great quantity of goods of one kind, and can exchange a part of it for such goods obtained by the labours of others as he shall stand in need of. One grows expert in tillage, another in pasture and breeding cattle, a third in masonry, a fourth in the chase, a fifth in iron-works, a sixth in the arts of the loom, and so on throughout the rest. Thus all are supplied by means of barter with the works of complete artists. In the other method scarce any one could be dexterous and skilful in any one sort of labour.
>
> 'Again, some works of the highest use to multitudes can be effectually executed by the joint labours of many, which the separate labours of the same number could never have executed. The joint force of many can repel dangers arising from savage beasts or bands of robbers which might have been fatal to many individuals were they separately to encounter them. The joint labours of twenty men will cultivate forests or drain marshes, for farms to each one, and provide houses for habitation and inclosures for their flocks, much sooner than the separate labours of the same number. By concert and alternate relief they can keep a perpetual watch, which without concert they could not accomplish.'[2]

---

[1] W. R. Scott, *Francis Hutcheson*, 1900, pp. 210, 231. In the *Introduction to Moral Philosophy*, 1747, Civil Polity is replaced by 'Œconomicks and Politicks,' but 'Œconomicks' only means domestic law, *i.e.*, the rights of husbands and wives, parents and children, masters and servants.

[2] *System of Moral Philosophy*, vol. i., pp. 288, 289.

In explaining the 'Foundation of Property' Hutcheson says that when population was scanty, the country fertile and the climate mild, there was not much need for developing the rules of property, but as things are, 'universal industry is plainly necessary for the support of mankind' and men must be excited to labour by self-interest and family affection. If the fruits of men's labours are not secured to them, 'one has no other motive to labour than the general affection to his kind, which is commonly much weaker than the narrower affections to our friends and relations, not to mention the opposition which in this case would be given by most of the selfish ones'. Willing industry could not be secured in a communistic society.[1]

The largest continuous block of economic doctrine in the *System of Moral Philosophy* is to be found in the chapter on 'The Values of Goods in Commerce and the Nature of Coin' which occurs in the middle of the discussion of contracts. In this chapter it is pointed out that it is necessary for commerce that goods should be valued. The values of goods depend on the demand for them and the difficulty of acquiring them. Values must be measured by some common standard, and this standard must be something generally desired, so that men may be generally willing to take it in exchange. To secure this it should be something portable, divisible without loss, and durable. Gold and silver best fulfil these requirements. At first they were used by quantity or weight, without coinage, but eventually the state vouched for quantity and quality by its stamp. The stamp being 'easy workmanship' adds no considerable value. 'Coin is ever valued as a commodity in commerce as well as other goods; and that in proportion to the rarity of the metal, for the demand is universal.' The only way to raise its value artificially would be by restricting the produce of the mines.

> 'We say indeed commonly, that the rates of labour and goods have risen since these metals grew plenty; and that the rates of labour and goods were low when the metals were scarce; conceiving the value of the metals as invariable, because the legal names of the pieces, the pounds, shillings or pence, continue to them always the same till a law alters them. But a day's digging or ploughing was as uneasy to a man a thousand years ago as it is now, though he could not then get so much silver for it: and a barrel of wheat, or beef,

---

[1] *System of Moral Philosophy*, vol. i., pp. 319-21.

was then of the same use to support the human body, as it is now when it is exchanged for four times as much silver. Properly, the value of labour, grain, and cattle are always pretty much the same, as they afford the same uses in life, where no new inventions of tillage or pasturage cause a greater quantity in proportion to the demand.'[1]

Lowering and raising the coins are unjust and pernicious operations. Copious mines abate the value of the precious metals.

'The standard itself is varying insensibly; and therefore if we would settle fixed salaries which in all events would answer the same purposes of life, or support those entituled to them in the same condition with respect to others, they should neither be fixed in the legal names of coin, nor in a certain number of ounces of gold and silver. A decree of state may change the legal names; and the value of the ounces may alter by the increase or decrease of the quantities of these metals. Nor should such salaries be fixed in any quantities of more ingenious manufactures, for nice contrivances to facilitate labour may lower the value of such goods. The most invariable salary would be so many days labour of men, or a fixed quantity of goods produced by the plain inartificial labours, such goods as answer the ordinary purposes of life. Quantities of grain come nearest to such a standard.'[2]

Prices of goods depend upon the expenses, the interest of money employed, and the 'labours too, the care, attention, accounts and correspondence about them'. Sometimes we must 'take in also the condition of the person so employed,' since 'the expense of his station of life must be defrayed by the price of such labours; and they deserve compensation as much as any other. This additional price of their labours is the just foundation of the ordinary profit of merchants.'

In the next chapter, on 'The Principal Contracts in a Social Life,' we find the rent or hire of unfruitful goods, such as houses, justified on the ground that the proprietor might have employed his money or labour on goods naturally fruitful.

'If in any way of trade men can make far greater gains by help of a large stock of money than they could have made without it, 'tis but just that he who supplies them with the money, the necessary means of this gain, should have for the use of it some share of the profit, equal at least to the profit he could have made by purchasing things naturally fruitful or yielding a rent. This shows the just foundation of interest upon money lent, though it be not naturally fruitful. Houses yield no fruits or increase, nor will some arable grounds yield any without great labour. Labour employed in managing money in trade or manufactures will make it as fruitful as anything. Were interest prohibited, none would lend except in charity; and many industrious hands who are not objects of charity would be excluded from large gains in a way very advantageous to the public.'[1]

---

[1] *System of Moral Philosophy*, vol. ii., p. 58.

[2] *Ibid.*, vol. ii., pp. 62, 63.

Reasonable interest varies with the state of trade and the quantity of coin. In a newly settled country great profits are made by small sums, and land is worth fewer years' purchase, so that a higher interest is reasonable. Laws in settling interest must follow 'these natural causes,' otherwise they will be evaded.[2]

In the chapter 'Of the Nature of Civil Laws and their Execution,' we find that after piety the virtues most necessary to a state are sobriety, industry, justice and fortitude.

'Industry is the natural mine of wealth, the fund of all stores for exportation by the surplus of which beyond the value of what a nation imports, it must increase in wealth and power. Diligent agriculture must furnish the necessaries of life and the materials for all manufactures; and all mechanic arts should be encouraged to prepare them for use and exportation. Goods prepared for export should generally be free from all burdens and taxes, and so should the goods be which are necessarily consumed by the artificers, as much as possible; that no other country be able to undersell like goods at a foreign market. Where one country alone has certain materials, they may safely impose duties upon them when exported; but such moderate ones as shall not prevent the consumption of them abroad.

'If people have not acquired an habit of industry, the cheapness of all the necessaries of life rather encourages sloth. The best remedy is to raise the demand for all necessaries; not merely by premiums upon exporting them, which is often useful too; but by increasing the number of people who consume them; and when they are dear, more labour and application will be requisite in all trades and arts to procure them. Industrious foreigners should therefore be invited to us, and all men of industry should live with us unmolested and easy. Encouragement should be given to marriage and to those who rear a numerous offspring to industry. The unmarried should pay higher taxes as they are not at the charge of rearing new subjects to the state. Any foolish notions of meanness in mechanic arts, as if they were unworthy of men of better families, should be borne down, and men of better condition as to birth or fortune engaged to be concerned in such occupations. Sloth should be punished by temporary servitude at least. Foreign materials should be imported and even premiums given, when necessary, that all our own hands may be employed; and that, by exporting them again manufactured, we may obtain from abroad the price of our labours. Foreign manufactures and products ready for consumption should be made dear to the consumer by high duties, if we cannot altogether prohibit the consumption; that they may never be used by the lower and more numerous orders of the people whose consumption would be far greater than those of the few who are wealthy. Navigation, or the carriage of goods foreign or domestic, should be encouraged, as a gainful branch of business surpassing often all the profit made by the merchant. This too is a nursery of fit hands for defence at sea.

---

[1] *System of Moral Philosophy*, pp. 71-2.

[2] *Ibid.*, vol. ii., p. 73.

''Tis vain to allege that luxury and intemperance are necessary to the wealth of a state as they encourage all labour and manufactures by making a great consumption. It is plain there is no necessary vice in the consuming of the finest products or the wearing of the dearest manufactures by persons whose fortunes can allow it consistently with the duties of life. And what if men grew generally more frugal and abstemious in such things? more of these finer goods could be sent abroad; or if they could not, industry and wealth might be equally promoted by the greater consumption of goods less chargeable: as he who saves by abating of his own expensive splendour could by generous offices to his friends, and by some wise methods of charity to the poor, enable others to live so much better and make greater consumption than was made formerly by the luxury of one. . . . Unless therefore a nation can be found where all men are already provided with all the necessaries and conveniencies of life abundantly, men may, without any luxury, make the very greatest consumption by plentiful provision for their children, by generosity and liberality to kinsmen and indigent men of worth, and by compassion to the distresses of the poor.'[1]

Under 'Military skill and fortitude' Hutcheson discusses what Adam Smith afterwards placed under 'Arms,' and decides in favour of a trained militia.[2]

In the same chapter he has a section with the marginal title 'what taxes or tributes most eligible,' which contains a repudiation of the policy of taxation for revenue only:—

'As to taxes for defraying the public expenses, these are most convenient which are laid on matters of luxury and splendour rather than the necessaries of life; on foreign products and manufactures rather than domestic; and such as can be easily raised without many expensive offices for collecting them. But above all, a just proportion to the wealth of people should be observed in whatever is raised from them, otherways than by duties upon foreign products and manufactures, for such duties are often necessary to encourage industry at home, though there were no public expenses.'[3]

This proportionment of taxation to wealth he thinks cannot be attained except by means of periodical estimation of the wealth of families, since land taxes unduly oppress landlords in debt and let moneyed men go free, while duties and excises are paid by the consumer, so that 'hospitable generous men or such as have numerous families supported genteelly bear the chief burden here, and the solitary sordid miser bears little or no share of it'.[1]

---

[1] *System of Moral Philosophy*, vol. ii., pp. 318-21.

[2] *Ibid.*, vol. ii., pp. 323-5.

[3] *Ibid.*, pp. 340-1.

It is quite clear from all this that Smith was largely influenced by the traditions of his chair in selecting his economic subjects. Dr. Scott draws attention to the curious fact that the very order in which the subjects happen to occur in Hutcheson's *System* is almost identical with the order in which the same subjects occur in Smith's *Lectures*.[2] We are strongly tempted to surmise that when Smith had hurriedly to prepare his lectures for Craigie's class, he looked through his notes of his old master's lectures (as hundreds of men in his position have done before and after him) and grouped the economic subjects together as an introduction and sequel to the lectures which he had brought with him from Edinburgh. Hutcheson was an inspiring teacher. His colleague, Leechman, says:—

> 'As he had occasion every year in the course of his lectures to explain the origin of government and compare the different forms of it, he took peculiar care, while on that subject, to inculcate the importance of civil and religious liberty to the happiness of mankind: as a warm love of liberty and manly zeal for promoting it were ruling principles in his own breast, he always insisted upon it at great length and with the greatest strength of argument and earnestness of persuasion: and he had such success on this important point, that few, if any, of his pupils, whatever contrary prejudices they might bring along with them, ever left him without favourable notions of that side of the question which he espoused and defended'.[3]

Half a century later Adam Smith spoke of the Glasgow Chair of Moral Philosophy as an 'office to which the abilities and virtues of the never-to-be-forgotten Dr. Hutcheson had given a superior degree of illustration'.[4]

But while we may well believe that Adam Smith was influenced in the general direction of liberalism by Hutcheson, there seems no reason for attributing to Hutcheson's influence the belief in the economic beneficence of self-interest which permeates the *Wealth of Nations* and has afforded a starting ground for economic speculation ever since. Hutcheson, as some of the passages just quoted show, was a mercantilist, and all the economic teaching in his *System* is very dry bones compared to Smith's vigorous lectures on Cheapness or Plenty, with their often repeated denunciation of the 'absurdity' of current opinions and the 'pernicious regulations' to which they gave rise. Twenty years after attending his lectures, Adam Smith criticised Hutcheson expressly on the ground that he thought too little of self-love. In the chapter of the *Theory of Moral Sentiments* on the systems of philosophy which make virtue consist in benevolence, he says that Hutcheson believed that it was benevolence only which could stamp upon any action the character of virtue: the most benevolent action was that which aimed at the good of the largest number of people, and self-love was a principle which could never be virtuous, though it was innocent when it had no other effect than to make the individual take care of his own happiness. This 'amiable system, a system which has a peculiar tendency to nourish and support in the human heart the noblest and the most agreeable of all affections,' Smith considered to have the 'defect of not sufficiently explaining from whence arises our approbation of the inferior virtues of prudence, vigilance, circumspection, temperance, constancy, firmness'.

---

[1] *System of Moral Philosophy*, vol. ii., pp. 341-2.
[2] *Francis Hutcheson*, pp. 232-5.
[3] In the preface to Hutcheson's *System of Moral Philosophy*, pp. xxxv, xxxvi.
[4] Rae, *Life of Adam Smith*, p. 411.

> 'Regard,' he continues, 'to our own private happiness and interest too, appear upon many occasions very laudable principles of action. The habits of œconomy, industry, discretion, attention and application of thought, are generally supposed to be cultivated from self-interested motives, and at the same time are apprehended to be very praise-worthy qualities which deserve the esteem and approbation of every body. . . . Carelessness and want of œconomy are universally disapproved of, not, however, as proceeding from a want of benevolence, but from a want of the proper attention to the objects of self-interest.'[1]

Adam Smith clearly believed that Hutcheson's system did not give a sufficiently high place to self-interest. It was not Hutcheson that inspired his remark, 'it is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest'.[2] He may have obtained a general love of liberty from Hutcheson, but whence did he obtain the belief that self-interest works for the benefit of the whole economic community? He might possibly of course have evolved it entirely in his own mind without even hearing another lecture or reading another book after he left Hutcheson's class. But it seems probable—we cannot safely say more—that he was assisted by his study of Mandeville, a writer who has had little justice done him in histories of economics, though McCulloch gives a useful hint on the subject in his *Literature of Political Economy*. In the chapter of the *Moral Sentiments* which follows the one which contains the criticism of Hutcheson just quoted, Smith deals with 'Licentious Systems'. The appearances in human nature, he says, which seem at first sight to favour such systems were 'slightly sketched out with the elegance and delicate precision of the duke of Rochefaucault, and afterwards more fully represented with the lively and humorous, though coarse and rustic eloquence of Dr. Mandeville'.[1]

---

[1] *Moral Sentiments*, 1759, pp. 464-6.

[2] Below, vol. i., p. 16.

Mandeville, he says, attributes all commendable acts to 'a love of praise and commendation,' or 'vanity,' and not content with that, endeavours to point out the imperfection of human virtue in many other respects.

> 'Wherever our reserve with regard to pleasure falls short of the most ascetic abstinence, he treats it as gross luxury and sensuality. Every thing according to him, is luxury which exceeds what is absolutely necessary for the support of human nature, so that there is vice even in the use of a clean shirt or of a convenient habitation.'[2]

But, Smith thinks, he has fallen into the great fallacy of representing every passion as wholly vicious if it is so in any degree and direction:—

> 'It is thus that he treats everything as vanity which has any reference either to what are or to what ought to be the sentiments of others: and it is by means of this sophistry that he establishes his favourite conclusion that private vices are public benefits. If the love of magnificence, a taste for the elegant arts and improvements of human life, for whatever is agreeable in dress, furniture, or equipage, for architecture, statuary, painting and music, is to be regarded as luxury, sensuality and ostentation, even in those whose situation allows, without any inconveniency, the indulgence of those passions, it is certain that luxury, sensuality and ostentation are public benefits: since, without the qualities upon which he thinks proper to bestow such opprobrious names, the arts of refinement could never find encouragement and must languish for want of employment.'[3]

---

[1] *Moral Sentiments*, 1759, p. 474.

[2] *Ibid.*, 1759, p. 483.

[3] *Ibid.*, p. 485.

'Such,' Smith concludes, 'is the system of Dr. Mandeville, which once made so much noise in the world.' However destructive it might appear, he thought 'it could never have imposed upon so great a number of persons, nor have occasioned so general an alarm among those who are friends of better principles, had it not in some respects bordered upon the truth'.[1]

Mandeville's work originally consisted merely of a poem of 400 lines called 'The Grumbling Hive: or Knaves Turn'd Honest,' which according to his own account was first published as a sixpenny pamphlet about 1705.[2] In 1714 he reprinted it, appending a very much larger quantity of prose, under the title of *The Fable of the Bees: or Private Vices, Public Benefits; with an Essay on Charity and Charity Schools and a Search into the Nature of Society.* In 1729 he added further a second part, nearly as large as the first, consisting of a dialogue on the subject. The 'grumbling hive,' which is in reality a human society, is described in the poem as prospering greatly so long as it was full of vice:—

> 'The worst of all the multitude
> Did something for the common good.
> This was the state's craft, that maintain'd
> The whole, of which each part complain'd:
> This, as in musick harmony,
> Made jarrings in the main agree;
> Parties directly opposite,
> Assist each oth'r, as 'twere for spight;
> And temp'rance with sobriety
> Serve drunkenness and gluttony.
> The root of evil, avarice,
> That damn'd ill-natur'd baneful vice,
> Was slave to prodigality,
> That noble sin; whilst luxury
> Employ'd a million of the poor,
> And odious pride a million more:
> Envy itself and vanity
> Were ministers of industry;
> Their darling folly, fickleness
> In diet, furniture, and dress,
> That strange ridic'lous vice, was made
> The very wheel that turn'd the trade.

---

[1] *Moral Sentiments*, 1759, p. 487.

[2] *Fable of the Bees*, 1714, preface.

Their laws and cloaths were equally
Objects of mutability;
For what was well done for a time,
In half a year became a crime;
Yet whilst they altered thus their laws,
Still finding and correcting flaws,
They mended by inconstancy
Faults which no prudence could foresee.
  Thus vice nursed ingenuity,
Which join'd with time and industry,
Had carry'd life's conveniencies,
It's real pleasures, comforts, ease,
To such a height, the very poor
Lived better than the rich before;
And nothing could be added more.'[1]

But the bees grumbled till Jove in anger swore he would rid the hive of fraud. The hive became virtuous, frugal and honest, and trade was forthwith ruined by the cessation of expenditure. At the end of the 'Search into the Nature of Society' the author sums up his conclusion as follows:—

> 'After this I flatter myself to have demonstrated that neither the friendly qualities and kind affections that are natural to man, nor the real virtues he is capable of acquiring by reason and self-denial, are the foundation of society: but that what we call evil in the world, moral as well as natural, is the grand principle that makes us sociable creatures, the solid basis, the life and support of all trades and employments without exception: that there we must look for the true origin of all arts and sciences, and that the moment evil ceases the society must be spoiled, if not totally dissolved.'[2]

In a letter to the *London Journal* of 10th August, 1723, which he reprinted in the edition of 1724, Mandeville defended this passage vigorously against a hostile critic. If, he said, he had been writing to be understood by the meanest capacities, he would have explained that every want was an evil:—

> 'That on the multiplicity of those wants depended all those mutual services which the individual members of a society pay to each other: and that consequently, the greater variety there was of wants, the larger number of individuals might find their private interest in labouring for the good of others, and united together, compose one body.'[3]

---

[1] Pp. 11-13 in the ed. of 1705.

[2] Pp. 427-8 in 2nd ed., 1723.

[3] P. 465 in ed. of 1724.

If we bear in mind Smith's criticism of Hutcheson and Mandeville in adjoining chapters of the *Moral Sentiments*, and remember further that he must almost certainly have become acquainted with the *Fable of the Bees* when attending Hutcheson's lectures or soon afterwards, we can scarcely fail to suspect that it was Mandeville who first made him realise that 'it is not from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest'. Treating the word 'vice' as a mistake for self-love, Adam Smith could have repeated with cordiality Mandeville's lines already quoted:—

> 'Thus vice nursed ingenuity,
> Which join'd with time and industry,
> Had carry'd life's conveniencies,
> It's real pleasures, comforts, ease,
> To such a height, the very poor
> Lived better than the rich before.'

Smith put the doggerel into prose, and added something from the Hutchesonian love of liberty when he propounded what is really the text of the polemical portion of the *Wealth of Nations*:—

> 'The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often incumbers its operations.'[1]

Experience shows that a general belief in the beneficence of the economic working of self-interest is not always sufficient to make even a person of more than average intelligence a free-trader. Consequently it would be rash to suppose that Smith's disbelief in the mercantile system was merely the natural outcome of his general belief in economic freedom. Dugald Stewart's quotations from his paper of 1755 do not contain anything to show that he was pouring contempt on the doctrine before he left Edinburgh and in his early years at Glasgow. It seems very likely that the reference in the lectures to Hume's 'essays showing the absurdity of these and other such doctrines'[2] is to be regarded as an acknowledgment of obligation, and therefore that it was Hume, by his *Political Discourses* on Money and the Balance of Trade in 1752, who first opened Adam Smith's eyes on this subject. The probability of this is slightly increased by the fact that in the lectures the mercantile fallacies as to the balance of trade were discussed in connexion with Money, as in Hume's *Discourses*, instead of in the position which they would have occupied if Smith had either followed Hutcheson's order, or placed them among the causes of the 'slow progress of opulence'. It is, too, perhaps, not a mere coincidence that while both Hume in the *Discourses* in 1752 and Smith in his lectures ten years later rejected altogether the aim of securing a favourable balance of trade, Hume still clearly believed in the utility of protection for home industries, and Smith is at any rate reported to have made a considerable concession in its favour.[1]

---

[1] Below, vol. ii., p. 43.

[2] *Lectures*, p. 197.

It would be useless to carry the inquiry into the origin of Adam Smith's views any further here. Perhaps it has been carried too far already. In the course of the *Wealth of Nations* Smith actually quotes by their own name or that of their authors almost one hundred books. An attentive study of the notes to the present edition will convince the reader that though a few of these are quoted at second hand the number actually used was far greater. Usually but little, sometimes only a single fact, phrase or opinion, is taken from each, so that few authors are less open than Adam Smith to the reproach of having rifled another man's work. That charge has indeed never seriously been brought against him, except in regard to Turgot's *Réflexions*, and in that case not a particle of evidence has ever been produced to show that he had used or even seen the book in question. The *Wealth of Nations* was not written hastily with the impressions of recent reading still vivid on the author's brain. Its composition was spread over at least the twenty-seven years from 1749 to 1776. During that period economic ideas crossed and recrossed the Channel many times, and it is as useless as it is invidious to dispute about the relative shares of Great

---

[1] Above pp. xxvi, xxix. Moreover, before bringing out the second edition of his *Discourses*, Hume wrote to Adam Smith asking for suggestions. That Smith made no remark on the protectionist passage in the discourse on the Balance of Trade seems to be indicated by the fact that it remained unaltered (see Hume's *Essays*, ed. Green & Grose, vol. i., pp. 59, 343 and 344).

Britain and France in the progress effected. To go further and attempt to apportion the merit between different authors is like standing on some beach and discussing whether this or that particular wave had most to do with the rising tide. One wave may appear to have what credit there is in sweeping over a child's first sand castle and another wave may evidently wipe out his second, but both would have been swamped just as effectually, and almost as soon, on a perfectly calm day.

AN INQUIRY INTO THE NATURE AND CAUSES
OF THE
WEALTH OF NATIONS

INTRODUCTION AND PLAN OF THE WORK

The produce of annual labour supplies annual consumption,

THE annual[1] labour of every nation is the fund which originally supplies it with all the necessaries and conveniencies of life[2] which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

better or worse according to the proportion of produce to people,

According therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniencies for which it has occasion.[3]

which proportion is regulated by the skill, etc., of the labour and the proportion of useful labourers,

But this proportion must in every nation be regulated by two different circumstances; first, by the skill, dexterity, and judgment with which its labour is generally applied;[4] and, secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed.[5] Whatever be the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

---

[1] [This word, with 'annually' just below, at once marks the transition from the older British economists' ordinary practice of regarding the wealth of a nation as an accumulated fund. Following the physiocrats, Smith sees that the important thing is how much can be produced in a given time.]

[2] [Cp. with this phrase Locke, *Some Considerations of the Consequences of the Lowering of Interest and Raising the Value of Money*, ed. of 1696, p. 66, 'the intrinsic natural worth of anything consists in its fitness to supply the necessities or serve the conveniencies of human life.']

[3] [The implication that the nation's welfare is to be reckoned by the average welfare of its members, not by the aggregate, is to be noticed.]

[4] [Ed. 1 reads 'with which labour is generally applied in it'.]

[5] [This second circumstance may be stretched so as to include the duration and intensity of the labour of those who are usefully employed, but another important circumstance, the quantity and quality of the accumulated instruments of production, is altogether omitted.]

and more by the skill, etc., than by the proportion of useful labourers, as is shown by the greater produce of civilised societies.

The abundance or scantiness of this supply too seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual who is able to work, is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniencies of life, for himself, or[1] such of his family or tribe as are either too old, or too young, or too infirm to go a hunting and fishing. Such nations, however, are so miserably poor, that from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts. Among civilized and thriving nations, on the contrary, though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniencies of life than it is possible for any savage to acquire.

The causes of improvement and natural distribution are the subject of Book I.

The causes[2] of this improvement, in the productive powers of labour, and the order, according to which its produce is naturally distributed[3] among the different ranks and conditions of men in the society, make the subject of the First Book of this Inquiry.

Capital stock, which regulates the proportion of useful labourers, is treated of in Book II.

Whatever be the actual state of the skill, dexterity, and judgment with which labour is applied in any nation, the abundance or scantiness of its annual supply must depend, during the continuance of that state, upon the proportion between the number of those who are annually employed in useful labour, and that of those who are not so employed. The number of useful and productive[4] labourers, it will hereafter appear, is every where in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed. The Second Book, therefore, treats of the nature of capital stock, of the manner in which it is gradually accumulated, and of the different quantities of labour which it puts into motion, according to the different ways in which it is employed.

---

[1] [Ed. 1 reads 'and'.]

[2] [Only one cause, the division of labour, is actually treated.]

[3] [For the physiocratic origin of the technical use of the terms 'distribute' and 'distribution' see the Editor's Introduction.]

[4] [This word slips in here as an apparently unimportant synonym of 'useful,' but subsequently ousts 'useful' altogether, and is explained in such a way that unproductive labour may be useful; see esp. below p. 314.]

The circumstances which led Europe to encourage the industry of the towns and discourage agriculture are dealt with in Book III.

Nations tolerably well advanced as to skill, dexterity, and judgment, in the application of labour, have followed very different plans in the general conduct or direction of it; and those plans have not all been equally favourable to the greatness of its produce. The policy of some nations has given extraordinary encouragement to the industry of the country; that of others to the industry of towns. Scarce any nation has dealt equally and impartially with every sort of industry. Since the downfal of the Roman empire, the policy of Europe has been more favourable to arts, manufactures, and commerce, the industry of towns; than to agriculture, the industry of the country. The circumstances which seem to have introduced and established this policy are explained in the Third Book.

The theories to which different policies have given rise are explained in Book IV.

Though those different plans were, perhaps, first introduced by the private interests and prejudices of particular orders of men, without any regard to, or foresight of, their consequences upon the general welfare of the society; yet they have given occasion to very different theories of political œconomy;[1] of which some magnify the importance of that industry which is carried on in towns, others of that which is carried on in the country. Those theories have had a considerable influence, not only upon the opinions of men of learning, but upon the public conduct of princes and sovereign states. I have endeavoured, in the Fourth Book, to explain, as fully and distinctly as I can, those different theories, and the principal effects which they have produced in different ages and nations.

The expenditure, revenue and debts of the sovereign are treated of in Book V.

To explain[2] in what has consisted the revenue of the great body of the people, or what has been the nature[3] of those funds, which, in different ages and nations, have supplied their annual consumption, is the object of[4] these Four first Books. The Fifth and last Book treats of the revenue of the sovereign, or commonwealth. In this book I have endeavoured to show; first, what are the necessary expences of the sovereign, or commonwealth; which of those expences ought to be defrayed by the general contribution of the whole society; and which of them, by that of some particular part only, or of some particular members of it:[5] secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expences incumbent on the whole society, and what are the principal advantages and inconveniencies of each of those methods: and, thirdly and lastly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land and labour of the society.[1]

---

[1] [See the index for the examples of the use of this term.]

[2] [Ed. 1 does not contain 'to explain'.]

[3] [Ed. 1 reads 'what is the nature'.]

[4] [Ed. 1 reads 'is treated of in'.]

[5] [Ed. 1 reads 'of the society'.]

---

[1] [Read in conjunction with the first two paragraphs, this sentence makes it clear that the wealth of a nation is to be reckoned by its *per capita* income. But this view is often temporarily departed from in the course of the work; see the index, *s.v.* Wealth.]

BOOK I

Of the Causes of Improvement in the productive Powers of Labour, and of the Order according to which its Produce is naturally distributed among the different Ranks of the People.

CHAPTER I

OF THE DIVISION OF LABOUR[1]

THE greatest improvement[2] in the productive powers of labour, and the greater part of the skill, dexterity, and judgment with which it is any where directed, or applied, seem to have been the effects of the division of labour.

Division of labour is the great cause of its increased powers,

The effects of the division of labour, in the general business of society, will be more easily understood, by considering in what manner it operates in some particular manufactures. It is commonly supposed to be carried furthest in some very trifling ones; not perhaps that it

as may be better understood from a particular example, really is carried further in them than in others of more importance: but in those trifling manufactures which are destined to supply the small wants of but a small number of people, the whole number of workmen must necessarily be small; and those employed in every different branch of the work can often be collected into the same workhouse, and placed at once under the view of the spectator. In those great manufactures, on the contrary, which are destined to supply the great wants of the great body of the people, every different branch of the work employs so great a number of workmen, that it is impossible to collect them all into the same workhouse. We can seldom see more, at one time, than those employed in one single branch. Though in such manufactures,[1] therefore, the work may really be divided into a much greater number of parts, than in those of a more trifling nature, the division is not near so obvious, and has accordingly been much less observed.

---

[1] [This phrase, if used at all before this time, was not a familiar one. Its presence here is probably due to a passage in Mandeville, *Fable of the Bees*, pt. ii. (1729), dial. vi., p. 335: 'CLEO. . . . When once men come to be governed by written laws, all the rest comes on apace . . . No number of men, when once they enjoy quiet, and no man needs to fear his neighbour, will be long without learning to divide and subdivide their labour. HOR. I don't understand you. CLEO. Man, as I have hinted before, naturally loves to imitate what he sees others do, which is the reason that savage people all do the same thing: this hinders them from meliorating their condition, though they are always wishing for it: but if one will wholly apply himself to the making of bows and arrows, whilst another provides food, a third builds huts, a fourth makes garments, and a fifth utensils, they not only become useful to one another, but the callings and employments themselves will, in the same number of years, receive much greater improvements, than if all had been promiscuously followed by every one of the five. HOR. I believe you are perfectly right there; and the truth of what you say is in nothing so conspicuous as it is in watch-making, which is come to a higher degree of perfection than it would have been arrived at yet, if the whole had always remained the employment of one person; and I am persuaded that even the plenty we have of clocks and watches, as well as the exactness and beauty they may be made of, are chiefly owing to the division that has been made of that art into many branches.' The index contains, 'Labour, The usefulness of dividing and subdividing it'. Joseph Harris, *Essay upon Money and Coins*, 1757, pt. i., § 12, treats of the 'usefulness of distinct trades,' or 'the advantages accruing to mankind from their betaking themselves severally to different occupations,' but does not use the phrase 'division of labour'.]

[2] [Ed. 1 reads 'improvements'.]

such as pin-making.

To take an example, therefore,[2] from a very trifling manufacture; but one in which the division of labour has been very often taken notice of, the trade of the pin-maker; a workman not educated to this business (which the division of labour has rendered a distinct trade),[3] nor acquainted with the use of the machinery employed in it (to the invention of which the same division of labour has probably given occasion), could scarce, perhaps, with his utmost industry, make one pin in a day, and certainly could not make twenty. But in the way in which this business is now carried on, not only the whole work is a peculiar trade, but it is divided into a number of branches, of which the greater part are likewise peculiar trades. One man draws out the wire, another straights it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head; to make the head requires two or three distinct operations; to put it on, is a peculiar business, to whiten the pins is another; it is even a trade by itself to put them into the paper; and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which, in some manufactories, are all performed by distinct hands, though in others the same man will sometimes perform two or three of them.[4] I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could, when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this peculiar business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly, not the two hundred and fortieth, perhaps not the four thousand eight hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations.

---

[1] [Ed. 1 reads 'Though in them'.]

[2] [Another and perhaps more important reason for taking an example like that which follows is the possibility of exhibiting the advantages of division of labour in statistical form.]

[3] [This parenthesis would alone be sufficient to show that those are wrong who believe Smith did not include the separation of employments in 'division of labour'.]

[4] [In Adam Smith's *Lectures*, p. 164, the business is, as here, divided into eighteen operations. This number is doubtless taken from the *Encyclopédie*, tom. v. (published in 1755), *s.v.* Épingle. The article is ascribed to M. Delaire, 'qui décrivait la fabrication de l'épingle

The effect is similar in all trades and also in the division of employments.

In every other art and manufacture, the effects of the division of labour are similar to what they are in this very trifling one; though, in many of them, the labour can neither be so much subdivided, nor reduced to so great a simplicity of operation. The division of labour, however, so far as it can be introduced, occasions, in every art, a proportionable increase of the productive powers of labour. The separation of different trades and employments from one another, seems to have taken place, in consequence of this advantage. This separation too is generally carried furthest in those countries which enjoy the highest degree of industry and improvement; what is the work of one man in a rude state of society, being generally that of several in an improved one. In every improved society, the farmer is generally nothing but a farmer; the manufacturer, nothing but a manufacturer. The labour too which is necessary to produce any one complete manufacture, is almost always divided among a great number of hands. How many different trades are employed in each branch of the linen and woollen manufactures, from the growers of the flax and the wool, to the bleachers and smoothers of the linen, or to the dyers and dressers of the cloth! The nature of agriculture, indeed, does not admit of so many subdivisions of labour, nor of so complete a separation of one business from another, as manufactures.

---

dans les ateliers même des ouvriers,' p. 807. In some factories the division was carried further. E. Chambers, *Cyclopædia*, vol. ii., 2nd ed., 1738, and 4th ed., 1741, *s.v.* Pin, makes the number of separate operations twenty-five.]

It is impossible to separate so entirely, the business of the grazier from that of the corn-farmer, as the trade of the carpenter is commonly separated from that of the smith. The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same. The occasions for those different sorts of labour returning with the different seasons of the year, it is impossible that one man should be constantly employed in any one of them. This impossibility of making so complete and entire a separation of all the different branches of labour employed in agriculture, is perhaps the reason why the improvement of the productive powers of labour in this art, does not always keep pace with their improvement in manufactures. The most opulent nations, indeed, generally excel all their neighbours in agriculture as well as in manufactures; but they are commonly more distinguished by their superiority in the latter than in the former. Their lands are in general better cultivated, and having more labour and expence bestowed upon them, produce more in proportion to the extent and natural fertility of the ground. But this [1] superiority of produce is seldom much more than in proportion to the superiority of labour and expence. In agriculture, the labour of the rich country is not always much more productive than that of the poor; or, at least, it is never so much more productive, as it commonly is in manufactures. The corn of the rich country, therefore, will not always, in the same degree of goodness, come cheaper to market than that of the poor. The corn of Poland, in the same degree of goodness, is as cheap as that of France, notwithstanding the superior opulence and improvement of the latter country. The corn of France is, in the corn provinces, fully as good, and in most years nearly about the same price with the corn of England, though, in opulence and improvement, France is perhaps inferior to England. The corn-lands of England, however, are better cultivated than those of France, and the corn-lands [2] of France are said to be much better cultivated than those of Poland. But though the poor country, notwithstanding the inferiority of its cultivation, can, in some measure, rival the rich in the cheapness and goodness of its corn, it can pretend to no such competition in its manufactures; at least if those manufactures suit the soil, climate, and situation of the rich country. The silks of France are better and cheaper than those of England, because the silk manufacture, at least under the present high duties upon the importation of raw silk, does not so well suit the climate of England as that of France.[1] But the hard-ware and the coarse woollens of England are beyond all comparison superior to those of France, and much cheaper too in the same degree of goodness.[2] In Poland there are said to be scarce any manufactures of any kind, a few of those coarser household manufactures excepted, without which no country can well subsist.

---

[1] [Ed. 1 reads 'the'.]

[2] [Ed. 1 reads 'the lands' here and two lines higher up.]

The advantage is due to three circumstances,

This great increase of the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing,[3] is owing to three different circumstances; first, to the increase of dexterity in every particular workman; secondly, to the saving of the time which is commonly lost in passing from one species of work to another; and lastly, to the invention of a great number of machines which facilitate and abridge labour, and enable one man to do the work of many.[4]

(1) improved dexterity,

First, the improvement of the dexterity of the workman necessarily increases the quantity of the work he can perform; and the division of labour, by reducing every man's business to some one simple operation, and by making this operation the sole employment of his life, necessarily increases very much the dexterity of the workman. A common smith, who, though accustomed to handle the hammer, has never been used to make nails, if upon some particular occasion he is obliged to attempt it, will scarce, I am assured, be able to make above two or three hundred nails in a day, and those too very bad ones.[5] A smith who has been accustomed to make nails, but whose sole or principal business has not been that of a nailer, can seldom with his utmost diligence make more than eight hundred or a thousand nails in a day. I have seen several boys under twenty years of age who had never exercised any other trade but that of making nails, and who, when they exerted themselves, could make, each of them, upwards of two thousand three hundred nails in a day.[1] The making of a nail, however, is by no means one of the simplest operations. The same person blows the bellows, stirs or mends the fire as there is occasion, heats the iron, and forges every part of the nail: In forging the head too he is obliged to change his tools. The different operations into which the making of a pin, or of a metal button,[2] is subdivided, are all of them much more simple, and the dexterity of the person, of whose life it has been the sole business to perform them, is usually much greater. The rapidity with which some of the operations of those manufactures are performed, exceeds what the human hand could, by those who had never seen them, be supposed capable of acquiring.

---

[1] [Ed. 1 reads 'because the silk manufacture does not suit the climate of England'.]

[2] [In *Lectures*, p. 164, the comparison is between English and French 'toys,' *i.e.*, small metal articles.]

[3] [Ed. 1 places 'in consequence of the division of labour' here instead of in the line above.]

[4] [' Pour la célérité du travail et la perfection de l'ouvrage, elles dépendent entièrement de la multitude des ouvriers rassemblés. Lorsqu'une manufacture est nombreuse, chaque opération occupe un homme différent. Tel ouvrier ne fait et ne fera de sa vie qu'une seule et unique chose; tel autre une autre chose: d'où il arrive que chacune s'exécute bien et promptement, et que l'ouvrage le mieux fait est encore celui qu'on a à meilleur marché. D'ailleurs le goût et la façon se perfectionnent nécessairement entre un grand nombre d'ouvriers, parce qu'il est difficile qu'il ne s'en rencontre quelques-uns capables de réfléchir, de combiner, et de trouver enfin le seul moyen qui puisse les mettre audessus de leurs semblables; le moyen ou d'épargner la matière, ou d'allonger le temps, ou de surfaire l'industrie, soit par une machine nouvelle, soit par une manœuvre plus commode.'—*Encyclopédie*, tom i. (1751), p. 717, *s.v.* Art. All three advantages mentioned in the text above are included here.]

[5] [In *Lectures*, p. 166, 'a country smith not accustomed to make nails will work very hard for three or four hundred a day and those too very bad'.]

(2) saving of time,

Secondly, the advantage which is gained by saving the time commonly lost in passing from one sort of work to another, is much greater than we should at first view be apt to imagine it. It is impossible to pass very quickly from one kind of work to another, that is carried on in a different place, and with quite different tools. A country weaver,[3] who cultivates a small farm, must lose a good deal of time in passing from his loom to the field, and from the field to his loom. When the two trades can be carried on in the same workhouse, the loss of time is no doubt much less. It is even in this case, however, very considerable. A man commonly saunters a little in turning his hand from one sort of employment to another. When he first begins the new work he is seldom very keen and hearty; his mind, as they say, does not go to it, and for some time he rather trifles than applies to good purpose. The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life; renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions. Independent, therefore, of his deficiency in point of dexterity, this cause alone must always reduce considerably the quantity of work which he is capable of performing.

and (3) application of machinery,

Thirdly, and lastly, every body must be sensible how much labour is facilitated and abridged by the application of proper machinery invented by workmen,

---

[1] [In *Lectures*, p. 166, 'a boy used to it will easily make two thousand and those incomparably better'.]

[2] [In *Lectures*, p. 255, it is implied that the labour of making a button was divided among eighty persons.]

[3] [The same example occurs in *Lectures*, p. 166.]

It is unnecessary to give any example.[1] I shall only observe, therefore,[2] that the invention of all those machines by which labour is so much facilitated and abridged, seems to have been originally owing to the division of labour. Men are much more likely to discover easier and readier methods of attaining any object, when the whole attention of their minds is directed towards that single object, than when it is dissipated among a great variety of things. But in consequence of the division of labour, the whole of every man's attention comes naturally to be directed towards some one very simple object. It is naturally to be expected, therefore, that some one or other of those who are employed in each particular branch of labour should soon find out easier and readier methods of performing their own particular work, wherever the nature of it admits of such improvement. A great part of the machines made use of[3] in those manufactures in which labour is most subdivided, were originally the inventions of common workmen, who, being each of them employed in some very simple operation, naturally turned their thoughts towards finding out easier and readier methods of performing it. Whoever has been much accustomed to visit such manufactures, must frequently have been shewn very pretty machines, which were the inventions of such[4] workmen, in order to facilitate and quicken their own particular part of the work. In the first fire-engines,[5] a boy was constantly employed to open and shut alternately the communication between the boiler and the cylinder, according as the piston either ascended or descended. One of those boys, who loved to play with his companions, observed that, by tying a string from the handle of the valve which opened this communication to another part of the machine, the valve would open and shut without his assistance, and leave him at liberty to divert himself with his play-fellows. One of the greatest improvements that has been made upon this machine, since it was first invented, was in this manner the discovery of a boy who wanted to save his own labour.[6]

---

[1] [Examples are given in *Lectures*, p. 167: 'Two men and three horses will do more in a day with the plough than twenty men without it. The miller and his servant will do more with the water mill than a dozen with the hand mill, though it too be a machine.']

[2] [Ed. 1 reads 'I shall, therefore, only observe'.]

[3] [Ed. 1 reads 'machines employed'.]

[4] [Ed. 1 reads 'of common'.]

[5] [*I.e.*, steam-engines.]

[6] [This pretty story is largely, at any rate, mythical. It appears to have grown out of a misreading (not necessarily by Smith) of the following passage: 'They used before to work with a buoy in the cylinder enclosed in a pipe, which buoy rose when the steam was strong, and opened the injection, and made a stroke; thereby they were capable of only giving six, eight or ten strokes in a minute, till a boy, Humphry Potter, who attended the engine, added (what he called scoggan) a catch that the beam Q always opened; and then it would go fifteen or sixteen strokes in a minute. But this being perplexed with catches and strings, Mr. Henry

or by machine-makers and philosophers.

All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines. Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade; and some by that of those who are called philosophers or men of speculation, whose trade it is not to do any thing, but to observe every thing; and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects.[1] In the progress of society, philosophy or speculation becomes, like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment too, it is subdivided into a great number of different branches, each of which affords occupation to a peculiar tribe or class of philosophers; and this subdivision of employment in philosophy, as well as in every other business, improves dexterity, and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it.[2]

Hence the universal opulence of a well-governed society.

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to the same thing, for the price of a

---

Beighton, in an engine he had built at Newcastle-on-Tyne in 1718, took them all away, the beam itself simply supplying all much better.'—J. T. Desaguliers, *Course of Experimental Philosophy*, vol. ii., 1744, p. 533. From pp. 469, 471, it appears that hand labour was originally used before the 'buoy' was devised.]

[1] [In *Lectures*, p. 167, the invention of the plough is conjecturally attributed to a farmer and that of the hand-mill to a slave, while the invention of the water-wheel and the steam engine is credited to philosophers. Mandeville is very much less favourable to the claims of the philosophers: 'They are very seldom the same sort of people, those that invent arts and improvements in them and those that inquire into the reason of things: this latter is most commonly practised by such as are idle and indolent, that are fond of retirement, hate business and take delight in speculation; whereas none succeed oftener in the first than active, stirring and laborious men, such as will put their hand to the plough, try experiments and give all their attention to what they are about.'—*Fable of the Bees*, pt. ii. (1729), dial. iii., p. 151. He goes on to give as examples the improvements in soap-boiling, grain-dyeing, etc.]

[2] [The advantage of producing particular commodities wholly or chiefly in the countries most naturally fitted for their production is recognised below, p. 423, but the fact that division of labour is necessary for its attainment is not noticed. The fact that division of labour allows different workers to be put exclusively to the kind of work for which they are best fitted by qualities not acquired by education and practice, such as age, sex, size and strength, is in part ignored and in part denied below, pp. 17, 18. The disadvantage of division of labour or specialisation is dealt with below, vol. ii., pp. 267-269.]

great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society.

even the day-labourer's coat being the produce of a vast number of workmen.

Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woollen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the wool-comber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! how much commerce and navigation in particular, how many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour too is necessary in order to produce the tools of the meanest of those workmen! To say nothing of such complicated machines as the ship of the sailor, the mill of the fuller, or even the loom of the weaver, let us consider only what a variety of labour is requisite in order to form that very simple machine, the shears with which the shepherd clips the wool. The miner, the builder of the furnace for smelting the ore, the feller of the timber, the burner of the charcoal to be made use of in the smelting-house, the brick-maker, the brick-layer, the workmen who attend the furnace, the mill-wright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarce have afforded a very comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniencies; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands, the very meanest person in a civilized country could not be provided, even according to, what we very falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must no doubt appear extremely simple and easy; and yet it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African king, the absolute master of the lives and liberties of ten thousand naked savages.[1]

---

[1] [This paragraph was probably taken bodily from the MS. of the author's lectures. It appears to be founded on Mun, *England's Treasure by Forraign Trade*, chap. iii., at end; Locke, *Civil Government*, § 43; Mandeville, *Fable of the Bees*, pt. i., Remark P, 2nd ed., 1723, p. 182, and perhaps Harris, *Essay upon Money and Coins*, pt. i., § 12. See *Lectures*, pp. 161-162 and notes.]

CHAPTER II

OF THE PRINCIPLE WHICH GIVES OCCASION TO THE DIVISION OF LABOUR

The division of labour arises from a propensity in human nature to exchange.

THIS division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion.[1] It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature which has in view no such extensive utility; the propensity to truck, barter, and exchange one thing for another.

This propensity is found in man alone.

Whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire. It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. Two greyhounds, in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog.[2] Nobody ever saw one animal by its gestures and natural cries signify to another, this is mine, that yours; I am willing to give this for that. When an animal wants to obtain something either of a man or of another animal, it has no other means of persuasion but to gain the favour of those whose service it requires. A puppy fawns upon its dam, and a spaniel endeavours by a thousand attractions to engage the attention of its master who is at dinner, when it wants to be fed by him. Man sometimes uses the same arts with his brethren, and when he has no other means of engaging them to act according to his inclinations, endeavours by every servile and fawning attention to obtain their good will. He has not time, however, to do this upon every occasion. In civilized society he stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely[1] independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them. Whoever offers to another a bargain of any kind, proposes to do this. Give me that which I want, and you shall have this which you want, is the meaning of every such offer; and it is in this manner that we obtain from one another the far greater part of those good offices which we stand in need of. It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chuses to depend chiefly upon the benevolence of his fellow-citizens. Even a beggar does not depend upon it entirely. The charity of well-disposed people, indeed, supplies him with the whole fund of his subsistence. But though this principle ultimately provides him with all the necessaries of life which he has occasion for, it neither does nor can provide him with them as he has occasion for them. The greater part of his occasional wants are supplied in the same manner as those of other people, by treaty, by barter, and by purchase. With the money which one man gives him he purchases food. The old cloaths which another bestows upon him he exchanges for other old cloaths which suit him better, or for lodging, or for food, or for money, with which he can buy either food, cloaths, or lodging, as he has occasion.[2]

---

[1] [*I.e.*, it is not the effect of any conscious regulation by the state or society, like the 'law of Sesostris,' that every man should follow the employment of his father, referred to in the corresponding passage in *Lectures*, p. 168. The denial that it is the effect of individual wisdom recognising the advantage of exercising special natural talents comes lower down, p. 17.]

[2] [It is by no means clear what object there could be in exchanging one bone for another.]

---

[1] [Misprinted 'intirely' in eds. 1-5. 'Entirely' occurs a little lower down in all eds.]

[2] [The paragraph is repeated from *Lectures*, p. 169. It is founded on Mandeville, *Fable of the Bees*, pt. ii. (1729), dial. vi., pp. 421, 422.]

It is encouraged by self-interest and leads to division of labour,

As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour. In a tribe of hunters or shepherds a particular person makes bows and arrows, for example, with more readiness and dexterity than any other. He frequently exchanges them for cattle or for venison with his companions; and he finds at last that he can in this manner get more cattle and venison, than if he himself went to the field to catch them. From a regard to his own interest, therefore, the making of bows and arrows grows to be his chief business, and he becomes a sort of armourer. Another excels in making the frames and covers of their little huts or moveable houses. He is accustomed to be of use in this way to his neighbours, who reward him in the same manner with cattle and with venison, till at last he finds it his interest to dedicate himself entirely to this employment, and to become a sort of house-carpenter. In the same manner a third becomes a smith or a brazier; a fourth a tanner or dresser of hides or skins, the principal part of the clothing of savages. And thus the certainty of being able to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he may have occasion for, encourages every man to apply himself to a particular occupation, and to cultivate and bring to perfection whatever talent or genius he may possess for that particular species of business.[1]

thus giving rise to differences of talent more important than the natural differences,

The difference of natural talents in different men is, in reality, much less than we are aware of; and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not upon many occasions so much the cause, as the effect of the division of labour.[2] The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were, perhaps,[3] very much alike, and neither their parents nor playfellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance. But without the disposition to truck, barter, and exchange, every man must have procured to himself every necessary and conveniency of life which he wanted. All must have had the same duties to perform, and the same work to do, and there could have been no such difference of employment as could alone give occasion to any great difference of talents.[1]

---

[1] [*Lectures*, pp. 169-170.]

[2] [This is apparently directed against Harris, *Money and Coins*, pt. i., § 11, and is in accordance with the view of Hume, who asks readers to 'consider how nearly equal all men are in their bodily force, and even in their mental powers and faculties, ere cultivated by education'.—'Of the Original Contract,' in *Essays, Moral and Political*, 1748, p. 291.]

[3] ['Perhaps' is omitted in eds. 2 and 3, and restored in the errata to ed. 4.]

and rendering those differences useful.

As it is this disposition which forms that difference of talents, so remarkable among men of different professions, so it is this same disposition which renders that difference useful. Many tribes of animals acknowledged to be all of the same species, derive from nature a much more remarkable distinction of genius, than what, antecedent to custom and education, appears to take place among men. By nature a philosopher is not in genius and disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog. Those different tribes of animals, however, though all of the same species, are of scarce any use to one another. The strength of the mastiff is not in the least supported either by the swiftness of the greyhound, or by the sagacity of the spaniel, or by the docility of the shepherd's dog. The effects of those different geniuses and talents, for want of the power or disposition to barter and exchange, cannot be brought into a common stock, and do not in the least contribute to the better accommodation and conveniency of the species. Each animal is still obliged to support and defend itself, separately and independently, and derives no sort of advantage from that variety of talents with which nature has distinguished its fellows. Among men, on the contrary, the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by the general disposition to truck, barter, and exchange, being brought, as it were, into a common stock, where every man may purchase whatever part of the produce of other men's talents he has occasion for.

---

[1] [*Lectures*, pp. 170-171.]

CHAPTER III

THAT THE DIVISION OF LABOUR IS LIMITED BY THE EXTENT OF THE MARKET

Division of labour is limited by the extent of the power of exchanging

AS it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for.

Various trades cannot be carried on except in towns.

There are some sorts of industry, even of the lowest kind, which can be carried on no where but in a great town. A porter, for example, can find employment and subsistence in no other place. A village is by much too narrow a sphere for him; even an ordinary market town is scarce large enough to afford him constant occupation. In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family. In such situations we can scarce expect to find even a smith, a carpenter, or a mason, within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distance from the nearest of them, must learn to perform themselves a great number of little pieces of work, for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are almost every where obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood: a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet maker, and even a carver in wood, as well as a wheelwright, a ploughwright, a cart and waggon maker. The employments of the latter are still more various. It is impossible there should be such a trade as even that of a nailer in the remote and inland parts of the Highlands of Scotland. Such a workman at the rate of a thousand nails a day, and three hundred working days in the year, will make three hundred thousand nails in the year. But in such a situation it would be impossible to dispose of one thousand, that is, of one day's work in the year.

Water-carriage widens the market,

As by means of water-carriage a more extensive market is opened to every sort of industry than what land-carriage alone can afford it, so it is upon the sea-coast, and along the banks of navigable rivers, that industry of every kind naturally begins to subdivide and improve itself, and it is frequently not till a long time after that those improvements extend themselves to the inland parts of the country. A broad-wheeled waggon, attended by two men, and drawn by eight horses, in about six weeks time carries and brings back between London and Edinburgh near four ton weight of goods. In about the same time a ship navigated by six or eight men, and sailing between the ports of London and Leith, frequently carries and brings back two hundred ton weight of goods. Six or eight men, therefore, by the help of water-carriage, can carry and bring back in the same time the same quantity of goods between London and Edinburgh, as fifty broad-wheeled waggons, attended by a hundred men, and drawn by four hundred horses.[1] Upon two hundred tons of goods, therefore, carried by the cheapest land-carriage from London to Edinburgh, there must be charged the maintenance of a hundred men for three weeks, and both the maintenance, and, what is nearly equal to the maintenance, the wear and tear of four hundred horses as well as of fifty great waggons. Whereas, upon the same quantity of goods carried by water, there is to be charged only the maintenance of six or eight men, and the wear and tear of a ship of two hundred tons burthen, together with the value of the superior risk, or the difference of the insurance between land and water-carriage. Were there no other communication between those two places, therefore, but by land-carriage, as no goods could be transported from the one to the other, except such whose price was very considerable in proportion to their weight, they could carry on but a small part of that commerce which at present subsists[2] between them, and consequently could give but a small part of that encouragement which they at present mutually afford to each other's industry. There could be little or no commerce of any kind between the distant parts of the world. What goods could bear the expence of land-carriage between London and Calcutta?[1] Or if there were[2] any so precious as to be able to support this expence, with what safety could they be transported through the territories of so many barbarous nations? Those two cities, however, at present carry on a very considerable commerce with each other,[3] and by mutually affording a market, give a good deal of encouragement to each other's industry.

---

[1] [The superiority of carriage by sea is here considerably less than in *Lectures*, p. 172, but is still probably exaggerated. W. Playfair, ed. of *Wealth of Nations*, 1805, vol. i., p. 29, says a waggon of the kind described could carry eight tons, but, of course, some allowance must be made for thirty years of road improvement.]

[2] [Ed. 1 reads 'which is at present carried on'.]

and so the first improvements are on the sea-coast or navigable rivers,

Since such, therefore, are the advantages of water-carriage, it is natural that the first improvements of art and industry should be made where this conveniency opens the whole world for a market to the produce of every sort of labour, and that they should always be much later in extending themselves into the inland parts of the country. The inland parts of the country can for a long time have no other market for the greater part of their goods, but the country which lies round about them, and separates them from the sea-coast, and the great navigable rivers. The extent of their market, therefore, must for a long time be in proportion to the riches and populousness of that country, and consequently their improvement must always be posterior to the improvement of that country. In our North American colonies the plantations have constantly followed either the sea-coast or the banks of the navigable rivers, and have scarce any where extended themselves to any considerable distance from both.

for example among the ancient nations on the Mediterranean coast.

The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean sea. That sea, by far the greatest inlet that is known in the world, having no tides, nor consequently any waves except such as are caused by the wind only,[4] was, by the smoothness of its surface, as well as by the multitude of its islands, and the proximity of its neighbouring shores, extremely favourable to the infant navigation of the world; when, from their ignorance of the compass, men were afraid to quit the view of the coast, and from the imperfection of the art of ship-building, to abandon themselves to the boisterous waves of the ocean. To pass beyond the pillars of Hercules, that is, to sail out of the Streights of Gibraltar, was, in the antient world, long considered as a most wonderful and dangerous exploit of navigation. It was late before even the Phenicians and Carthaginians, the most skilful navigators and ship-builders of those old times, attempted it, and they were for a long time the only nations that did attempt it.

---

[1] [Playfair, *op. cit.*, p. 30, says that equalising the out and home voyages goods were carried from London to Calcutta by sea at the same price (12s. per cwt.) as from London to Leeds by land.]

[2] [Ed. 1 reads 'was'.]

[3] [Ed. 1 reads 'carry on together a very considerable commerce'.]

[4] [This shows a curious belief in the wave-producing capacity of the tides.]

Improvements first took place in Egypt,

Of all the countries on the coast of the Mediterranean sea, Egypt seems to have been the first in which either agriculture or manufactures were cultivated and improved to any considerable degree. Upper Egypt extends itself nowhere above a few miles from the Nile, and in Lower Egypt that great river breaks itself into many different canals,[1] which, with the assistance of a little art, seem to have afforded a communication by water-carriage, not only between all the great towns, but between all the considerable villages, and even to many farm-houses in the country; nearly in the same manner as the Rhine and the Maese do in Holland at present. The extent and easiness of this inland navigation was probably one of the principal causes of the early improvement of Egypt.

Bengal and China;

The improvements in agriculture and manufactures seem likewise to have been of very great antiquity in the provinces of Bengal in the East Indies, and in some of the eastern provinces of China; though the great extent of this antiquity is not authenticated by any histories of whose authority we, in this part of the world, are well assured. In Bengal the Ganges and several other great rivers form a great number of navigable canals[2] in the same manner as the Nile does in Egypt. In the Eastern provinces of China too, several great rivers form, by their different branches, a multitude of canals, and by communicating with one another afford an inland navigation much more extensive than that either of the Nile or the Ganges, or perhaps than both of them put together. It is remarkable that neither the antient Egyptians, nor the Indians, nor the Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation.

while Africa, Tartary and Siberia, and also Bavaria, Austria and Hungary are backward.

All the inland parts of Africa, and all that part of Asia which lies any considerable way north of the Euxine and Caspian seas, the antient Scythia, the modern Tartary and Siberia, seem in all ages of the world to have been in the same barbarous and uncivilized state in which we find them at present. The sea of Tartary is the frozen ocean which admits of no navigation, and though some of the greatest rivers in the world run through that country,[3] they are at too great a distance from one another to carry commerce and communication through the greater part of it. There are in Africa none of those great inlets, such as the Baltic and Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulphs of Arabia, Persia, India, Bengal, and Siam, in Asia, to carry maritime commerce into the interior parts of that great continent: and the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation. The commerce besides which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be very considerable; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. The navigation of the Danube is of very little use to the different states of Bavaria, Austria and Hungary, in comparison of what it would be if any[1] of them possessed the whole of its course till it falls into the Black Sea.[2]

---

[1] [It is only in recent times that this word has become applicable especially to artificial channels; see Murray, *Oxford English Dictionary*, *s.v.*]

[2] [Ed. 1 reads 'break themselves into many canals'.]

[3] [The real difficulty is that the mouths of the rivers are in the Arctic Sea, so that they are separated. One of the objects of the Siberian railway is to connect them.]

---

[1] [Ed. 1 reads 'any one' here.]

[2] [The passage corresponding to this chapter is comprised in one paragraph in *Lectures*, p. 172.]

CHAPTER IV

OF THE ORIGIN AND USE OF MONEY

Division of labour being established, every man lives by exchanging.

WHEN the division of labour has been once thoroughly established, it is but a very small part of a man's wants which the produce of his own labour can supply. He supplies the far greater part of them by exchanging that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for. Every man thus lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.

Difficulties of barter lead to the selection of one commodity as money,

But when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. The butcher has more meat in his shop than he himself can consume, and the brewer and the baker would each of them be willing to purchase a part of it. But they have nothing to offer in exchange, except the different productions of their respective trades, and the butcher is already provided with all the bread and beer which he has immediate occasion for. No exchange can, in this case, be made between them. He cannot be their merchant, nor they his customers ; and they are all of them thus mutually less serviceable to one another. In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner, as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry.[1]

for example, cattle, salt, shells, cod, tobacco, sugar, leather and nails.

Many different commodities, it is probable, were successively both thought of and employed for this purpose. In the rude ages of society, cattle are said to have been the common instrument of commerce; and, though they must have been a most inconvenient one, yet in old times we find things were frequently valued according to the number of cattle which had been given in exchange for them. The armour of Diomede, says Homer, cost only nine oxen; but that of Glaucus cost an hundred oxen.[2] Salt is said to be the common instrument of commerce and exchanges in Abyssinia;[3] a species of shells in some parts of the coast of India; dried cod at Newfoundland; tobacco in Virginia;[4] sugar in some of our West India colonies; hides or dressed leather in some other countries; and there is at this day a village in Scotland where it is not uncommon, I am told, for a workman to carry nails instead of money to the baker's shop or the ale-house.[5]

Metals were eventually preferred because durable and divisible.

In all countries, however, men seem at last to have been determined by irresistible reasons to give the preference, for this employment, to metals above every other commodity.[6] Metals can not only be kept with as little loss as any other commodity, scarce any thing being less perishable than they are, but they can likewise, without any loss, be divided into any number of parts, as by fusion those parts can easily be reunited again; a quality which no other equally durable commodities possess, and which more than any other quality renders them fit to be the instruments of commerce and circulation. The man who wanted to buy salt, for example, and had nothing but cattle to give in exchange for it, must have been obliged to buy salt to the value of a whole ox, or a whole sheep, at a time. He could seldom buy less than this, because what he was to give for it could seldom be divided without loss; and if he had a mind to buy more, he must, for the same reasons, have been obliged to buy double or triple the quantity, the value, to wit, of two or three oxen, or of two or three sheep. If, on the contrary, instead of sheep or oxen, he had metals to give in exchange for it, he could easily proportion the quantity of the metal to the precise quantity of the commodity which he had immediate occasion for.

---

[1] [The paragraph has a close resemblance to Harris, *Money and Coins*, pt. i., §§ 19, 20.]

[2] [*Iliad*, vi., 236: quoted with the same object in Pliny, *Hist. Nat.*, lib. xxxiii., cap. i.; Pufendorf, *De jure naturæ et gentium*, lib. v., cap. v., § 1; Martin-Leake, *Historical Account of English Money*, 2nd ed., 1745, p. 4 and elsewhere.]

[3] [Montesquieu, *Esprit des lois*, liv. xxii., chap i., note.]

[4] [W. Douglass, *A Summary Historical and Political of the First Planting, Progressive Improvements and Present State of the British Settlements in North America*, 1760, vol. ii., p. 364. Certain law officers' fees in Washington were still computed in tobacco in 1888.—J. J. Lalor, *Cyclopædia of Political Science*, 1888, *s.v.* Money, p. 879.]

[5] [Playfair, ed. of *Wealth of Nations*, 1805, vol. i., p. 36, says the explanation of this is that factors furnish the nailers with materials, and during the time they are working give them a credit for bread, cheese and chandlery goods, which they pay for in nails when the iron is worked up. The fact that nails are metal is forgotten at the beginning of the next paragraph in the text above.]

[6] [For earlier theories as to these reasons see Grotius, *De jure belli et pacis*, lib. ii., cap. xii., § 17; Pufendorf, *De jure naturæ et gentium*, lib. v., cap. i., § 13; Locke, *Some Considerations*, 2nd ed., 1696, p. 31; Law, *Money and Trade*, 1705, ch. i.; Hutcheson, *System of Moral Philosophy*, 1755, vol. ii., pp. 55, 56; Montesquieu, *Esprit des lois*, liv. xxii., ch. ii.; Cantillon, *Essai sur la Nature du Commerce en général*, 1755, pp. 153, 355-357; Harris, *Money and Coins*, pt. i., §§ 22-27, and cp. *Lectures*, pp. 182-185.]

Iron, copper, gold and silver,

Different metals have been made use of by different nations for this purpose. Iron was the common instrument of commerce among the antient Spartans; copper among the antient Romans; and gold and silver among all rich and commercial nations.

were at first used in unstamped bars,

Those metals seem originally to have been made use of for this purpose in rude bars, without any stamp or coinage. Thus we are told by Pliny,[1] upon the authority of Timæus, an antient historian, that, till the time of Servius Tullius, the Romans had no coined money, but made use of unstamped bars of copper, to purchase whatever they had occasion for. These rude bars, therefore, performed at this time the function of money.

and afterwards stamped to show quantity and fineness;

The use of metals in this rude state was attended with two very considerable inconveniencies; first with the trouble of weighing;[2] and, secondly, with that[3] of assaying them. In the precious metals, where a small difference in the quantity makes a great difference in the value, even the business of weighing, with proper exactness, requires at least very accurate weights and scales. The weighing of gold in particular is an operation of some nicety. In the coarser metals, indeed, where a small error would be of little consequence, less accuracy would, no doubt, be necessary. Yet we should find it excessively troublesome, if every time a poor man had occasion either to buy or sell a farthing's worth of goods, he was obliged to weigh the farthing. The operation of assaying is still more difficult, still more tedious, and, unless a part of the metal is fairly melted in the crucible, with proper dissolvents, any conclusion that can be drawn from it, is extremely uncertain. Before the institution of coined money, however, unless they went through this tedious and difficult operation, people must always have been liable to the grossest frauds and impositions, and instead of a pound weight of pure silver, or pure copper, might receive in exchange for their goods, an adulterated composition of the coarsest and cheapest materials, which had, however, in their outward appearance, been made to resemble those metals. To prevent such abuses, to facilitate exchanges, and thereby to encourage all sorts of industry and commerce, it has been found necessary, in all countries that have made any considerable advances towards improvement, to affix a public stamp upon certain quantities of such particular metals, as were in those countries commonly made use of to purchase goods. Hence the origin of coined money, and of those public offices called mints;[1] institutions exactly of the same nature with those of the aulnagers and stampmasters of woollen and linen cloth.[2] All of them are equally meant to ascertain, by means of a public stamp, the quantity and uniform goodness of those different commodities when brought to market.

---

[1] Plin. Hist. Nat. lib. 33. cap. 3. ['Servius rex primus signavit aes. Antea rudi usos Romæ Timæus tradit.' Ed. 1 reads 'authority of one Remeus, an antient author,' Remeus being the reading in the edition of Pliny in Smith's library, cp. Bonar's *Catalogue of the Library of Adam Smith*, 1894, p. 87. Ed. 1 does not contain the note.]

[2] [Ed. 1 reads 'weighing them'.]

[3] [Ed. 1 reads 'with the trouble'.]

stamps to show fineness being introduced first,

The first public stamps of this kind that were affixed to the current metals, seem in many cases to have been intended to ascertain, what it was both most difficult and most important to ascertain, the goodness or fineness of the metal, and to have resembled the sterling mark which is at present affixed to plate and bars of silver, or the Spanish mark which is sometimes affixed to ingots of gold, and which being struck only upon one side of the piece, and not covering the whole surface, ascertains the fineness, but not the weight of the metal. Abraham weighs to Ephron the four hundred shekels of silver which he had agreed to pay for the field of Machpelah.[3] They are said however to be the current money of the merchant, and yet are received by weight and not by tale, in the same manner as ingots of gold and bars of silver are at present. The revenues of the antient Saxon kings of England are said to have been paid, not in money but in kind, that is, in victuals and provisions of all sorts. William the Conqueror introduced the custom of paying them in money.[4] This money, however, was, for a long time, received at the exchequer, by weight and not by tale.[1]

---

[1] [Aristotle, *Politics*, 1257*a*, 38-41; quoted by Pufendorf, *De jure naturæ et gentium*, lib. v., cap. i., § 12.]

[2] [The aulnager measured woollen cloth in England under 25 Ed. III., st. 4, c. 1. See John Smith, *Chronicon Rusticum-Commerciale or Memoirs of Wool*, 1747, vol. i., p. 37. The stampmasters of linen cloth in the linen districts of Scotland were appointed under 10 Ann., c. 21, to prevent 'divers abuses and deceits' which 'have of late years been used in the manufacturies of linen cloth . . . with respect to the lengths, breadths and unequal sorting of yarn, which leads to the great debasing and undervaluing of the said linen cloth both at home and in foreign parts.'—*Statutes of the Realm*, vol. ix., p. 682.]

[3] [Genesis xxiii. 16.]

[4] [' King William the First, for the better pay of his warriors, caused the *firmes* which till his time had for the most part been answered in victuals, to be converted *in pecuniam numeratam*.'—Lowndes, *Report containing an Essay for the Amendment of the Silver Coins*, 1695, p. 4. Hume, whom Adam Smith often follows, makes no such absurd statement, *History*, ed. of 1773, vol. i., pp. 225, 226.]

and coinage to show weight later.

The inconveniency and difficulty of weighing those metals with exactness gave occasion to the institution of coins, of which the stamp, covering entirely both sides of the piece and sometimes the edges too, was supposed to ascertain not only the fineness, but the weight of the metal. Such coins, therefore, were received by tale as at present, without the trouble of weighing.

The names of coins originally expressed their weight.

The denominations of those coins seem originally to have expressed the weight or quantity of metal contained in them. In the time of Servius Tullius, who first coined money at Rome,[2] the Roman As or Pondo contained a Roman pound of good copper. It was divided in the same manner as our Troyes pound, into twelve ounces, each of which contained a real ounce of good copper. The English pound sterling in the time of Edward I., contained a pound, Tower weight, of silver of a known fineness. The Tower pound seems to have been something more than the Roman pound, and something less than the Troyes pound. This last was not introduced into the mint of England till the 18th of Henry VIII. The French livre contained in the time of Charlemagne a pound, Troyes weight, of silver of a known fineness. The fair of Troyes in Champaign was at that time frequented by all the nations of Europe, and the weights and measures of so famous a market were generally known and esteemed. The Scots money pound contained, from the time of Alexander the First to that of Robert Bruce, a pound of silver of the same weight and fineness with the English pound sterling. English, French, and Scots pennies too, contained all of them originally a real pennyweight of silver, the twentieth part of an ounce, and the two-hundred-and-fortieth part of a pound. The shilling too seems originally to have been the denomination of a weight. *When wheat is at twelve shillings the quarter*, says an antient statute of Henry III. *then wastel bread of a farthing shall weigh eleven shillings and four pence.*[3] The proportion, however, between the shilling and either the penny on the one hand, or the pound on the other, seems not to have been so constant and uniform as that between the penny and the pound. During the first race of the kings of France, the French sou or shilling appears upon different occasions to have contained five, twelve, twenty, and forty pennies.[1] Among the antient Saxons a shilling appears at one time to have contained only five pennies,[2] and it is not improbable that it may have been as variable among them as among their neighbours, the antient Franks. From the time of Charlemagne among the French,[3] and from that of William the Conqueror among the English,[4] the proportion between the pound, the shilling, and the penny, seems to have been uniformly the same as at present, though the value of each has been very different. For in every country of the world, I believe, the avarice and injustice of princes and sovereign states, abusing the confidence of their subjects, have by degrees diminished the real quantity of metal, which had been originally contained in their coins. The Roman As, in the latter ages of the Republic, was reduced to the twenty-fourth part of its original value, and, instead of weighing a pound, came to weigh only half an ounce.[5] The English pound and penny contain at present about a third only; the Scots pound and penny about a thirty-sixth; and the French pound and penny about a sixty-sixth part of their original value.[6] By means of those operations the princes and sovereign states which performed them were enabled, in appearance, to pay their debts and to fulfil their engagements with a smaller quantity of silver than would otherwise have been requisite. It was indeed in appearance only; for their creditors were really defrauded of a part of what was due to them. All other debtors in the state were allowed the same privilege, and might pay with the same nominal sum of the new and debased coin whatever they had borrowed in the old. Such operations, therefore, have always proved favourable to the debtor, and ruinous to the creditor, and have sometimes produced a greater and more universal revolution in the fortunes of private persons, than could have been occasioned by a very great public calamity.[7]

---

[1] [Lowndes, *Essay*, p. 4.]

[2] [Above, p. 26.]

[3] [The Assize of Bread and Ale, 51 Hen. III., contains an elaborate scale beginning, 'When a quarter of wheat is sold for xii d. then wastel bread of a farthing shall weigh vi l. and xvi s.' and goes on to the figures quoted in the text above. The statute is quoted at second-hand from Martin Folkes' *Table of English Silver Coins* with the same object by Harris, *Essay upon Money and Coins*, pt. i., § 29, but Harris does not go far enough in the scale to bring in the penny as a weight. As to this scale see below, pp. 179, 183.]

It is in this manner that money has become in all civilized nations the universal instrument of commerce, by the intervention of which goods of all kinds are bought and sold, or exchanged for one another.[1]

---

[1] [Ed. 1 reads 'twenty, forty and forty-eight pennies'. Garnier, *Recherches sur la nature et les causes de la richesse des nations, par Adam Smith*, 1802, tom. v., p. 55, in a note on this passage says that the sou was always twelve deniers.]

[2] [Hume, *History of England*, ed. of 1773, i., p. 226. Fleetwood, *Chronicon Preciosum*, 1707, p. 30. These authorities say there were 48 shillings in the pound, so that 240 pence would still make £1.]

[3] [Harris, *Money and Coins*, pt. i., § 29.]

[4] ['It is thought that soon after the Conquest a pound sterling was divided into twenty shillings.'—Hume, *History of England*, ed. of 1773, vol. i., p. 227.]

[5] [Pliny, *Hist. Nat.*, lib. xxxiii., cap. iii.; see below, vol. ii., pp. 416, 417.]

[6] [Harris, *Money and Coins*, p. i., § 30, note, makes the French livre about one seventieth part of its original value.]

[7] [The subject of debased and depreciated coinage occurs again below, pp. 36, 37, 194; vol. ii., pp. 51-57, 415-418. One of the reasons why gold and silver became the most usual forms of money is dealt with below, pp. 172, 173. See Coin and Money in the index.]

The next inquiry is what rules determine exchangeable value.

What are the rules which men naturally observe in exchanging them either for money or for one another, I shall now proceed to examine. These rules determine what may be called the relative or exchangeable value of goods.

Value may mean either value in use or value in exchange.

The word VALUE, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use;" the other, "value in exchange." The things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce any thing; scarce any thing can be had in exchange for it. A diamond, on the contrary, has scarce any value in use; but a very great quantity of other goods may frequently be had in exchange for it.[2]

Three questions,

In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to shew,

(1) wherein consists the real price of commodities,

First, what is the real measure of this exchangeable value; or, wherein consists the real price of all commodities.

(2) what are the different parts of this price,

Secondly, what are the different parts of which this real price is composed or made up.

(3) why the market price sometimes diverges from this price,

And, lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below their natural or ordinary rate; or, what are the causes which sometimes hinder the market price, that is, the actual price of commodities, from coinciding exactly with what may be called their natural price.

will be answered in the next three chapters.

I shall endeavour to explain, as fully and distinctly as I can, those three subjects in the three following chapters, for which I must very earnestly entreat both the patience and attention of the reader: his patience in order to examine a detail which may perhaps in some places appear unnecessarily tedious; and his attention in order to understand what may, perhaps, after the fullest explication which I am capable of giving of it, appear still in some degree obscure. I am always willing to run some hazard of being tedious in order to be sure that I am perspicuous; and after taking the utmost pains that I can to be perspicuous, some obscurity may still appear to remain upon a subject[1] in its own nature extremely abstracted.

---

[1] [In *Lectures*, pp. 182-190, where much of this chapter is to be found, money is considered 'first as the measure of value and then as the medium of permutation or exchange'. Money is said to have had its origin in the fact that men naturally fell upon one commodity with which to compare the value of all other commodities. When this commodity was once selected it became the medium of exchange. In this chapter money comes into use from the first as a medium of exchange, and its use as a measure of value is not mentioned. The next chapter explains that it is vulgarly used as a measure of value because it is used as an instrument of commerce or medium of exchange.]

[2] [*Lectures*, p. 157. Law, *Money and Trade*, 1705, ch. i. (followed by Harris, *Money and Coins*, pt. i., § 3), contrasts the value of water with that of diamonds. The cheapness of water is referred to by Plato, *Euthydem.* 304 B., quoted by Pufendorf, *De jure naturæ et gentium*, lib. v., cap. i., § 6; cp. Barbeyrac's note on § 4.]

---

[1] [Ed. 1 reads 'subject which is'.]

CHAPTER V

OF THE REAL AND NOMINAL PRICE OF COMMODITIES, OR OF THEIR PRICE IN LABOUR, AND THEIR PRICE IN MONEY

Labour is the real measure of exchangeable value,

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniencies, and amusements of human life.[1] But after the division of labour has once thoroughly taken place, it is but a very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.

and the first price paid for all things.

The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What every thing is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people. What is bought with money or with goods is purchased by labour,[2] as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity. Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.

---

[1] [' La richesse en elle-même n'est autre chose que la nourriture, les commodités et les agréments de la vie.'—Cantillon, *Essai*, pp. 1, 2.]

[2] [' Everything in the world is purchased by labour.'—Hume, ' Of Commerce,' in *Political Discourses*, 1752, p. 12.]

Wealth is power of purchasing labour.

Wealth, as Mr. Hobbes says, is power.[1] But the person who either acquires, or succeeds to a great fortune, does not necessarily acquire or succeed to any political power, either civil or military. His fortune may, perhaps, afford him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either. The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labour which is then in the market. His fortune is greater or less, precisely in proportion to the extent of this power; or to the quantity either of other men's labour, or, what is the same thing, of the produce of other men's labour, which it enables him to purchase or command. The exchangeable value of every thing must always be precisely equal to the extent of this power which it conveys to its owner.[2]

But value is not commonly estimated by labour, because labour is difficult to measure,

But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. It is often difficult to ascertain the proportion between two different quantities of labour. The time spent in two different sorts of work will not always alone determine this proportion. The different degrees of hardship endured, and of ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work than in two hours' easy business; or in an hour's application to a trade which it cost ten years labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging indeed the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality which, though not exact, is sufficient for carrying on the business of common life.[3]

and commodities are

Every commodity besides, is more frequently exchanged for, and more frequently exchanged for other commodities,

---

[1] ['Also riches joined with liberality is Power, because it procureth friends and servants: without liberality not so, because in this case they defend not but expose men to envy as a prey.'—*Leviathan*, I., x.]

[2] [This paragraph appears first in Additions and Corrections and ed. 3.]

[3] [The absence of any reference to the lengthy discussion of this subject in chap. x. is curious.]

thereby compared with, other commodities than with labour. It is more natural therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labour which it can purchase. The greater part of people too understand better what is meant by a quantity of a particular commodity, than by a quantity of labour. The one is a plain palpable object; the other an abstract notion, which, though it can be made sufficiently intelligible, is not altogether so natural and obvious.

especially money, which is therefore more frequently used in estimating value.

But when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other commodity. The butcher seldom carries his beef or his mutton to the baker, or the brewer, in order to exchange them for bread or for beer; but he carries them to the market, where he exchanges them for money, and afterwards exchanges that money for bread and for beer. The quantity of money which he gets for them regulates too the quantity of bread and beer which he can afterwards purchase. It is more natural and obvious to him, therefore, to estimate their value by the quantity of money, the commodity for which he immediately exchanges them, than by that of bread and beer, the commodities for which he can exchange them only by the intervention of another commodity; and rather to say that his butcher's meat is worth threepence or fourpence a pound, than that it is worth three or four pounds of bread, or three or four quarts of small beer. Hence it comes to pass, that the exchangeable value of every commodity is more frequently estimated by the quantity of money, than by the quantity either of labour or of any other commodity which can be had in exchange for it.

But gold and silver vary in value, sometimes costing more and sometimes less labour, whereas equal labour always means equal sacrifice to the labourer,

Gold and silver, however, like every other commodity, vary in their value, are sometimes cheaper and sometimes dearer, sometimes of easier and sometimes of more difficult purchase. The quantity of labour which any particular quantity of them can purchase or command, or the quantity of other goods which it will exchange for, depends always upon the fertility or barrenness of the mines which happen to be known about the time when such exchanges are made. The discovery of the abundant mines of America reduced, in the sixteenth century, the value of gold and silver in Europe to about a third of what it had been before.[1] As it cost less labour to bring those metals from the mine to the market, so when they were brought thither[2] they could purchase or command less labour; and this revolution in their value, though perhaps the greatest, is by no means the only one of which history gives some account. But as a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commodity which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities. Equal quantities of labour, at all times and places, may be said to be[1] of equal value to the labourer. In his ordinary state of health, strength and spirits; in the ordinary degree of his skill and dexterity,[2] he must always lay down the same portion of his ease, his liberty, and his happiness. The price which he pays must always be the same, whatever may be the quantity of goods which he receives in return for it. Of these, indeed, it may sometimes purchase a greater and sometimes a smaller quantity; but it is their value which varies, not that of the labour which purchases them. At all times and places that is dear which it is difficult to come at, or which it costs much labour to acquire; and that cheap which is to be had easily, or with very little labour. Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.

---

[1] [Below, p. 191.]

[2] [Ed. 1 reads 'there'.]

although the employer regards labour as varying in value.

But though equal quantities of labour are always of equal value to the labourer, yet to the person who employs him they appear sometimes to be of greater and sometimes of smaller value. He purchases them sometimes with a greater and sometimes with a smaller quantity of goods, and to him the price of labour seems to vary like that of all other things. It appears to him dear in the one case, and cheap in the other. In reality, however, it is the goods which are cheap in the one case, and dear in the other.

So regarded, labour has a real and a nominal price.

In this popular sense, therefore, labour, like commodities, may be said to have a real and a nominal price. Its real price may be said to consist in the quantity of the necessaries and conveniencies of life which are given for it; its nominal price, in the quantity of money. The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal price of his labour.

The distinction between real and nominal is sometimes useful in practice,

The distinction between the real and the nominal price of commodities and labour, is not a matter of mere speculation, but may sometimes be of considerable use in practice. The same real price is always of the same value; but on account of the variations in the value of gold and silver, the same nominal price is sometimes of very different values. When a landed estate, therefore, is sold with a reservation of a perpetual rent, if it is intended that this rent should always be of the same value, it is of importance to the family in whose favour it is reserved, that it should not consist in a particular sum of money.[1] Its value would in this case be liable to variations of two different kinds; first, to those which arise from the different quantities of gold and silver which are contained at different times in coin of the same denomination; and, secondly, to those which arise from the different values of equal quantities of gold and silver at different times.

---

[1] [Ed. 1 reads 'Equal quantities of labour must at all times and places be'.]

[2] [The words from 'In his ordinary state of health' to 'dexterity' appear first in ed. 2.]

since the amount of metal in coins tends to diminish,

Princes and sovereign states have frequently fancied that they had a temporary interest to diminish the quantity of pure metal contained in their coins; but they seldom have fancied that they had any to augment it. The quantity of metal contained in the coins, I believe of all nations, has, accordingly, been almost continually diminishing, and hardly ever augmenting.[2] Such variations therefore tend almost always to diminish the value of a money rent.

and the value of gold and silver to fall.

The discovery of the mines of America diminished the value of gold and silver in Europe. This diminution, it is commonly supposed, though I apprehend without any certain proof, is still going on gradually,[3] and is likely to continue to do so for a long time. Upon this supposition, therefore, such variations are more likely to diminish, than to augment the value of a money rent, even though it should be stipulated to be paid, not in such a quantity of coined money of such a denomination (in so many pounds sterling, for example), but in so many ounces either of pure silver, or of silver of a certain standard.

English rents reserved in money have fallen to a fourth since 1586,

The rents which have been reserved in corn have preserved their value much better than those which have been reserved in money, even where the denomination of the coin has not been altered. By the 18th of Elizabeth[4] it was enacted, That a third of the rent of all college leases should be reserved in corn, to be paid, either in kind, or according to the current prices at the nearest public market. The money arising from this corn rent, though originally but a third of the whole, is in the present times, according to Doctor Blackstone, commonly near double of what arises from the other two-thirds.[1] The old money rents of colleges must, according to this account, have sunk almost to a fourth part of their ancient value; or are worth little more than a fourth part of the corn which they were formerly worth. But since the reign of Philip and Mary the denomination of the English coin has undergone little or no alteration, and the same number of pounds, shillings and pence have contained very nearly the same quantity of pure silver. This degradation, therefore, in the value of the money rents of colleges, has arisen altogether from the degradation in the value of silver.

---

[1] ['Be above all things careful how you make any composition or agreement for any long space of years to receive a certain price of money for the corn that is due to you, although for the present it may seem a tempting bargain.'—Fleetwood, *Chronicon Preciosum*, p. 174.]

[2] [Above, pp. 28-29.]

[3] [Below, pp. 215-216.]

[4] [C. 6, which applies to Oxford, Cambridge, Winchester and Eton, and provides that no college shall make any lease for lives or years of tithes, arable land or pasture without securing that at least one-third of 'tholde' (presumably the whole not the old) rent should be paid in corn. The Act was promoted by Sir Thomas Smith to the astonishment, it is said, of his fellow-members of Parliament, who could not see what difference it would make. 'But the knight took the advantage of the present cheapness; knowing hereafter grain would grow dearer, mankind daily multiplying, and licence being lately given for transportation. So that at this day much emolument redoundeth to the colleges in each university, by the passing of this Act; and though their rents stand still, their revenues do increase.'—Fuller, *Hist. of the University of Cambridge*, 1655, p. 144, quoted in Strype, *Life of the learned Sir Thomas Smith*, 1698, p. 192.]

and similar Scotch and French rents almost to nothing.

When the degradation in the value of silver is combined with the diminution of the quantity of it contained in the coin of the same denomination, the loss is frequently still greater. In Scotland, where the denomination of the coin has undergone much greater alterations than it ever did in England, and in France, where it has undergone still greater than it ever did in Scotland,[2] some ancient rents, originally of considerable value, have in this manner been reduced almost to nothing.

Corn rents are more stable than money rents,

Equal quantities of labour will at distant times be purchased more nearly with equal quantities of corn, the subsistence of the labourer, than with equal quantities of gold and silver, or perhaps of any other commodity. Equal quantities of corn, therefore, will, at distant times, be more nearly of the same real value, or enable the possessor to purchase or command more nearly the same quantity of the labour of other people. They will do this, I say, more nearly than equal quantities of almost any other commodity; for even equal quantities of corn will not do it exactly. The subsistence of the labourer, or the real price of labour, as I shall endeavour to show hereafter,[3] is very different upon different occasions; more liberal in a society advancing to opulence, than in one that is standing still; and in one that is standing still, than in one that is going backwards. Every other commodity, however, will at any particular time purchase a greater or smaller quantity of labour in proportion to the quantity of subsistence which it can purchase at that time. A rent therefore reserved in corn is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase. But a rent reserved in any other commodity is liable, not only to the variations in the quantity of labour which any particular quantity of corn can purchase, but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity.

---

[1] [*Commentaries*, 1765, vol. ii., p. 322.]
[2] [Above, p. 29.] [3] [Below, pp. 71-75.]

but liable to much larger annual variations,

Though the real value of a corn rent, it is to be observed however, varies much less from century to century than that of a money rent, it varies much more from year to year. The money price of labour, as I shall endeavour to show hereafter,[1] does not fluctuate from year to year with the money price of corn, but seems to be every where accommodated, not to the temporary or occasional, but to the average or ordinary price of that necessary of life. The average or ordinary price of corn again is regulated, as I shall likewise endeavour to show hereafter,[2] by the value of silver, by the richness or barrenness of the mines which supply the market with that metal, or by the quantity of labour which must be employed, and consequently of corn which must be consumed, in order to bring any particular quantity of silver[3] from the mine to the market. But the value of silver, though it sometimes varies greatly from century to century, seldom varies much from year to year, but frequently continues the same, or very nearly the same, for half a century or a century together. The ordinary or average money price of corn, therefore, may, during so long a period, continue the same or very nearly the same too, and along with it the money price of labour, provided, at least, the society continues, in other respects, in the same or nearly in the same condition. In the mean time the temporary and occasional price of corn may frequently be double, one year, of what it had been the year before, or fluctuate, for example, from five and twenty to fifty shillings the quarter.[4] But when corn is at the latter price, not only the nominal, but the real value of a corn rent will be double of what it is when at the former, or will command double the quantity either of labour or of the greater part of other commodities; the money price of labour, and along with it that of most other things, continuing the same during all these fluctuations.

so that labour is the only universal standard.

Labour, therefore, it appears evidently, is the only universal, as well as the only accurate measure of value, or the only standard by which we can compare the values of different commodities at all times and at all places. We cannot estimate, it is allowed, the real value of different commodities from century to century by the quantities of silver which were given for them. We cannot estimate it from year to year by the quantities of corn. By the quantities of labour we can, with the greatest accuracy, estimate it both from century to century and from year to year. From century to century, corn is a better measure than silver, because, from century to century, equal quantities of corn will command the same quantity of labour more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn, because equal quantities of it will more nearly command the same quantity of labour.[1]

---

[1] [Below, pp. 76, 87, 88.]

[2] [Below, chap. xi., see esp. p. 191.]

[3] [Ed. 1 reads 'it'.]

[4] [Ed. 1 places the 'for example' here.]

But in ordinary transactions money is sufficient,

But though in establishing perpetual rents, or even in letting very long leases, it may be of use to distinguish between real and nominal price; it is of none in buying and selling, the more common and ordinary transactions of human life.

being perfectly accurate at the same time and place.

At the same time and place the real and the nominal price of all commodities are exactly in proportion to one another. The more or less money you get for any commodity, in the London market, for example, the more or less labour it will at that time and place enable you to purchase or command. At the same time and place, therefore, money is the exact measure of the real exchangeable value of all commodities. It is so, however, at the same time and place only.

and the only thing to be considered in transactions between distant places.

Though at distant places, there is no regular proportion between the real and the money price of commodities, yet the merchant who carries goods from the one to the other has nothing to consider but their money price, or the difference between the quantity of silver for which he buys them, and that for which he is likely to sell them. Half an ounce of silver at Canton in China may command a greater quantity both of labour and of the necessaries and conveniencies of life, than an ounce at London. A commodity, therefore, which sells for half an ounce of silver at Canton may there be really dearer, of more real importance to the man who possesses it there, than a commodity which sells for an ounce at London is to[2] the man who possesses it at

---

[1] ['In England and this part of the world, wheat being the constant and most general food, not altering with the fashion, not growing by chance: but as the farmers sow more or less of it, which they endeavour to proportion, as near as can be guessed to the consumption, abstracting the overplus of the precedent year in their provision for the next; and *vice versa*, it must needs fall out that it keeps the nearest proportion to its consumption (which is more studied and designed in this than other commodities) of anything, if you take it for seven or twenty years together: though perhaps the scarcity of one year, caused by the accidents of the season, may very much vary it from the immediately precedent or following. Wheat, therefore, in this part of the world (and that grain which is the constant general food of any other country) is the fittest measure to judge of the altered value of things in any long tract of time: and therefore wheat here, rice in Turkey, etc., is the fittest thing to reserve a rent in, which is designed to be constantly the same for all future ages. But money is the best measure of the altered value of things in a few years: because its vent is the same and its quantity alters slowly. But wheat, or any other grain, cannot serve instead of money: because of its bulkiness and too quick change of its quantity.' — Locke, *Some Considerations of the Consequences of the Lowering of Interest and Raising the Value of Money*, ed. of 1696, pp. 74, 75.]

[2] [Ed. 1 reads 'than one which sells for an ounce at London to'.]

London. If a London merchant, however, can buy at Canton for half an ounce of silver, a commodity which he can afterwards sell at London for an ounce, he gains a hundred per cent. by the bargain, just as much as if an ounce of silver was at London exactly of the same value as at Canton. It is of no importance to him that half an ounce of silver at Canton would have given him the command of more labour and of a greater quantity of the necessaries and conveniencies of life than an ounce can do at London. An ounce at London will always give him the command of double the quantity of all these, which half an ounce could have done there, and this is precisely what he wants.

So it is no wonder that money price has been more attended to

As it is the nominal or money price of goods, therefore, which finally determines the prudence or imprudence of all purchases and sales, and thereby regulates almost the whole business of common life in which price is concerned, we cannot wonder that it should have been so much more attended to than the real price.

In this work corn prices will sometimes be used.

In such a work as this, however, it may sometimes be of use to compare the different real values of a particular commodity at different times and places, or the different degrees of power over the labour of other people which it may, upon different occasions, have given to those who possessed it. We must in this case compare, not so much the different quantities of silver for which it was commonly sold, as the different quantities of labour which those different quantities of silver could have purchased. But the current prices of labour at distant times and places can scarce ever be known with any degree of exactness. Those of corn, though they have in few places been regularly recorded, are in general better known and have been more frequently taken notice of by historians and other writers. We must generally, therefore, content ourselves with them, not as being always exactly in the same proportion as the current prices of labour, but as being the nearest approximation which can commonly be had to that proportion. I shall hereafter have occasion to make several comparisons of this kind.[1]

Several metals have been coined, but only one is used as the standard, and that usually the one first used in commerce,

In the progress of industry, commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper, or some other coarse metal, for those of still smaller consideration. They have always, however, considered one of those metals as more peculiarly the measure of value than any of the other two; and this preference seems generally to have been given to the metal which they happened first to make use of as the instrument of commerce. Having once begun to use it as their standard, which they must have done when they had no other money, they have generally continued to do so even when the necessity was not the same.

---

[1] [Below, chap. xi. *passim.*]

as the Romans used copper,

The Romans are said to have had nothing but copper money till within five years before the first Punic war,[1] when they first began to coin silver. Copper, therefore, appears to have continued always the measure of value in that republic. At Rome all accounts appear to have been kept, and the value of all estates to have been computed, either in *Asses* or in *Sestertii*. The *As* was always the denomination of a copper coin. The word *Sestertius* signifies two *Asses* and a half. Though the *Sestertius*, therefore, was originally [2] a silver coin, its value was estimated in copper. At Rome, one who owed a great deal of money, was said to have a great deal of other people's copper.[3]

and modern European nations silver.

The northern nations who established themselves upon the ruins of the Roman empire, seem to have had silver money from the first beginning of their settlements, and not to have known either gold or copper coins for several ages thereafter. There were silver coins in England in the time of the Saxons; but there was little gold coined till the time of Edward III. nor any copper till that of James I. of Great Britain. In England, therefore, and for the same reason, I believe, in all other modern nations of Europe, all accounts are kept, and the value of all goods and of all estates is generally computed in silver: and when we mean to express the amount of a person's fortune, we seldom mention the number of guineas, but the number of pounds sterling [4] which we suppose would be given for it.

The standard metal originally was the only legal tender,

Originally, in all countries, I believe, a legal tender of payment could [5] be made only in the coin of that metal,[6] which was peculiarly considered as the standard or measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money. The proportion between the values of gold and silver money was not fixed by any public law or proclamation; but was left to be settled by the market. If a debtor offered payment in gold, the creditor might either reject such payment altogether, or accept of it at such a valuation of the gold as he and his debtor could agree upon. Copper is not at present a legal tender, except in the change of the smaller silver coins. In this state of things the distinction between the metal which was the standard, and that which was not the standard, was something more than a nominal distinction.

---

[1] Pliny, lib. xxxiii. c. 3. [This note is not in ed. 1.]

[2] [Eds. 1 and 2 read 'always'.]

[3] [Habere aes alienum.]

[4] [Ed. 1 does not contain 'sterling'.]

[5] [Ed. 1 places the 'originally' here.]

[6] [Ed. 1 places the 'only' here.]

later the proportion between the values of the two metals is declared by law, and both are legal tender, the distinction between them ceasing to be of importance,

In process of time, and as people became gradually more familiar with the use of the different metals in coin, and consequently better acquainted with the proportion between their respective values, it has in most countries, I believe, been found convenient to ascertain this proportion, and to declare by a public law[1] that a guinea, for example, of such a weight and fineness, should exchange for one-and-twenty shillings, or be a legal tender for a debt of that amount.[2] In this state of things, and during the continuance of any one regulated proportion of this kind, the distinction between the metal which is the standard, and that which is not the standard, becomes little more than a nominal distinction.[3]

except when a change is made in the regulated proportion.

In consequence of any change, however, in this regulated proportion, this distinction becomes, or at least seems to become, something more than nominal again. If the regulated value of a guinea, for example, was either reduced to twenty, or raised to two-and-twenty shillings, all accounts being kept and almost all obligations for debt being expressed in silver money, the greater part of payments could in either case be made with the same quantity of silver money as before; but would require very different quantities of gold money; a greater in the one case, and a smaller in the other. Silver would appear to be more invariable in its value than gold. Silver would appear to measure the value of gold, and gold would not appear to measure the value of silver. The value of gold would seem to depend upon the quantity of silver which it would exchange for; and the value of silver would not seem to depend upon the quantity of gold which it would exchange for. This difference, however, would be altogether owing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver than in gold money. One of Mr. Drummond's notes for five-and-twenty or fifty guineas would, after an alteration of this kind, be still payable with five-and-twenty or fifty guineas in the same manner as before. It would, after such an alteration, be payable with the same quantity of gold as before, but with very different quantities of silver. In the payment of such a note, gold would appear to be more invariable in its value than silver. Gold would appear to measure the value of silver, and silver would not appear to measure the value of gold. If the custom of keeping accounts, and of expressing promissory notes and other obligations for money in this manner, should ever become general, gold, and not silver, would be considered as the metal which was peculiarly the standard or measure of value.

---

[1] [The Act, 19 Hen. VII., c. 5, ordered that certain gold coins should pass for the sums for which they were coined, and 5 and 6 Ed. VI. prescribed penalties for giving or taking more than was warranted by proclamation. The value of the guinea was supposed to be fixed by the proclamation of 1717, for which see *Economic Journal*, March, 1898. Lead tokens were coined by individuals in the reign of Elizabeth. James I. coined copper farthing tokens, but abstained from proclaiming them as money of that value. In 1672 copper halfpennies were issued, and both halfpennies and farthings were ordered to pass as money of those values in all payments under sixpence.—Harris, *Money and Coins*, pt. i., § 39; Liverpool, *Treatise on the Coins of the Realm*, 1805, pp. 130, 131.]

[2] [Ed. 1 reads 'sum'.]

[3] [*I.e.*, if 21 pounds may be paid with 420 silver shillings or with 20 gold guineas it does not matter whether a 'pound' properly signifies 20 silver shillings or $\frac{20}{21}$ of a gold guinea.]

During the continuance of a regulated proportion, the value of the most precious metal regulates the value of the whole coinage, as in Great Britain,

In reality, during the continuance of any one regulated proportion between the respective values of the different metals in coin, the value of the most precious metal regulates the value of the whole coin.[1] Twelve copper pence contain half a pound, avoirdupois, of copper, of not the best quality, which, before it is coined, is seldom worth sevenpence in silver. But as by the regulation twelve such pence are ordered to exchange for a shilling, they are in the market considered as worth a shilling, and a shilling can at any time be had for them. Even before the late reformation of the gold coin of Great Britain,[2] the gold, that part of it at least which circulated in London and its neighbourhood, was in general less degraded below its standard weight than the greater part of the silver. One-and-twenty worn and defaced shillings, however, were considered as equivalent to a guinea, which perhaps, indeed, was worn and defaced too, but seldom so much so. The late regulations[3] have brought the gold coin as near perhaps to its standard weight as it is possible to bring the current coin of any nation; and the order, to receive no gold at the public offices but by weight, is likely to preserve it so, as long as that order is enforced. The silver coin still continues in the same worn and degraded state as before the reformation of the gold coin. In the market, however, one-and-twenty shillings of this degraded silver coin are still considered as worth a guinea of this excellent gold coin.

where the reformation of the gold coin has raised the value of the silver coin.

The reformation of the gold coin has evidently raised the value of the silver coin which can be exchanged for it.

In the English mint a pound weight of gold is coined into forty-four guineas and a half, which, at one-and-twenty shillings the guinea, is equal to forty-six pounds fourteen shillings and six-pence. An ounce of such gold coin, therefore, is worth *3 l.* 17 *s.* 10½ *d.* in silver. In

---

[1] [This happens to have been usually, though not always, true, but it is so simply because it has usually happened that the most precious metal in use as money has been made or become the standard. Gold was already the standard in England, though the fact was not generally recognised; see Harris, *Money and Coins*, pt. ii., §§ 36, 37, and below, vol. ii., pp. 54-57.]

[2] [In 1774.]

[3] [These regulations, issued in 1774, provided that guineas should not pass when they had lost a certain portion of their weight, varying with their age.—Liverpool, *Coins of the Realm*, p. 216, note.]

England no duty or seignorage is paid upon the coinage, and he who carries a pound weight or an ounce weight of standard gold bullion to the mint, gets back a pound weight or an ounce weight of gold in coin, without any deduction. Three pounds seventeen shillings and tenpence halfpenny an ounce, therefore, is said to be the mint price of gold in England, or the quantity of gold coin which the mint gives in return for standard gold bullion.

Before the reformation of the gold coin, the price of standard gold bullion in the market had for many years been upwards of 3 *l.* 18 *s.* sometimes 3 *l.* 19 *s.* and very frequently 4 *l.* an ounce; that sum, it is probable, in the worn and degraded gold coin, seldom containing more than an ounce of standard gold. Since the reformation of the gold coin, the market price of standard gold bullion seldom exceeds 3 *l.* 17 *s.* 7 *d.* an ounce. Before the reformation of the gold coin, the market price was always more or less above the mint price. Since that reformation, the market price has been constantly below the mint price. But that market price is the same whether it is paid in gold or in silver coin. The late reformation of the gold coin, therefore, has raised not only the value of the gold coin, but likewise that of the silver coin in proportion to gold bullion, and probably too in proportion to all other commodities; though the price of the greater part of other commodities being influenced by so many other causes, the rise in the value either of gold or silver coin in proportion to them, may not be so distinct and sensible.

In the English mint a pound weight of standard silver bullion is coined into sixty-two shillings, containing, in the same manner, a pound weight of standard silver. Five shillings and two-pence an ounce, therefore, is said to be the mint price of silver in England, or the quantity of silver coin which the mint gives in return for standard silver bullion. Before the reformation of the gold coin, the market price of standard silver bullion was, upon different occasions, five shillings and four-pence, five shillings and five-pence, five shillings and six-pence, five shillings and seven-pence, and very often five shillings and eight-pence an ounce. Five shillings and seven-pence, however, seems to have been the most common price. Since the reformation of the gold coin, the market price of standard silver bullion has fallen occasionally to five shillings and three-pence, five shillings and four-pence, and five shillings and five-pence an ounce, which last price it has scarce ever exceeded. Though the market price of silver bullion has fallen considerably since the reformation of the gold coin, it has not fallen so low as the mint price.

Silver is rated below its value in England.

In the proportion between the different metals in the English coin, as copper is rated very much above its real value, so silver is rated somewhat below it. In the market of Europe, in the French coin and in the Dutch coin, an ounce of fine gold exchanges for about fourteen ounces of fine silver. In the English coin, it exchanges for about fifteen ounces, that is, for more silver than it is worth according to the common estimation of Europe.[1] But as the price of copper in bars is not, even in England, raised by the high price of copper in English coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. Silver in bullion still preserves its proper proportion to gold; for the same reason that copper in bars preserves its proper proportion to silver.[2]

Locke's explanation of the high price of silver bullion is wrong.

Upon the reformation of the silver coin in the reign of William III. the price of silver bullion still continued to be somewhat above the mint price. Mr. Locke imputed this high price to the permission of exporting silver bullion, and to the prohibition of exporting silver coin.[3] This permission of exporting, he said, rendered the demand for silver bullion greater than the demand for silver coin. But the number of people who want silver coin for the common uses of buying and selling at home, is surely much greater than that of those who want silver bullion either for the use of exportation or for any other use. There subsists at present a like permission of exporting gold bullion, and a like prohibition of exporting gold coin; and yet the price of gold bullion has fallen below the mint price. But in the English coin silver was then, in the same manner as now, under-rated in proportion to gold; and the gold coin (which at that time too was not supposed to require any reformation) regulated then, as well as now, the real value of the whole coin. As the reformation of the silver coin did not then reduce the price of silver bullion to the mint price, it is not very probable that a like reformation will do so now.

If the silver coin were reformed, it would be melted.

Were the silver coin brought back as near to its standard weight as the gold, a guinea, it is probable, would, according to the present proportion, exchange for more silver in coin than it would purchase in bullion. The silver coin containing its full standard weight, there would in this case be a profit in melting it down, in order, first, to sell the bullion for gold coin, and afterwards to exchange this gold coin for silver coin to be melted down in the same manner. Some alteration in the present proportion seems to be the only method of preventing this inconveniency.

---

[1] [Magens, *Universal Merchant*, ed. Horsley, 1753, pp. 53-55, gives the proportions thus: French coin, 1 to $14\frac{5803}{12279}$, Dutch, 1 to $14\frac{82550}{154425}$, English, 1 to $15\frac{14295}{68200}$.]

[2] [Full weight silver coins would not remain in circulation, as the bullion in them was worth more reckoned in guineas and in the ordinary old and worn silver coins than the nominal amount stamped on them.]

[3] [Locke, *Further Considerations Concerning Raising the Value of Money*, 2nd ed., 1695, pp. 58-60. The exportation of foreign coin (misprinted 'kind' in Pickering) or bullion of gold or silver was permitted by 15 Car. II., c. 7, on the ground that it was 'found by experience that' money and bullion were 'carried in greatest abundance (as to a common market) to such places as give free liberty for exporting the same' and in order 'the better to keep in and increase the current coins' of the kingdom.]

Silver ought to be rated higher and should not be legal tender for more than a guinea.

The inconveniency perhaps would be less if silver was rated in the coin as much above its proper proportion to gold as it is at present rated below it; provided it was at the same time enacted that silver should not be a legal tender for more than the change of a guinea; in the same manner as copper is not a legal tender for more than the change of a shilling. No creditor could in this case be cheated in consequence of the high valuation of silver in coin; as no creditor can at present be cheated in consequence of the high valuation of copper. The bankers only would suffer by this regulation. When a run comes upon them they sometimes endeavour to gain time by paying in sixpences, and they would be precluded by this regulation from this discreditable method of evading immediate payment. They would be obliged in consequence to keep at all times in their coffers a greater quantity of cash than at present; and though this might no doubt be a considerable inconveniency to them, it would at the same time be a considerable security to their creditors.[1]

If it were properly rated, silver bullion would fall below the mint price without any re-coinage.

Three pounds seventeen shillings and ten-pence halfpenny (the mint price of gold) certainly does not contain, even in our present excellent gold coin, more than an ounce of standard gold, and it may be thought, therefore, should not purchase more standard bullion. But gold in coin is more convenient than gold in bullion, and though, in England, the coinage is free, yet the gold which is carried in bullion to the mint, can seldom be returned in coin to the owner till after a delay of several weeks. In the present hurry of the mint, it could not be returned till after a delay of several months. This delay is equivalent to a small duty, and renders gold in coin somewhat more valuable than an equal quantity of gold in bullion.[2] If in the English coin silver was rated according to its proper proportion to gold, the price of silver bullion would probably fall below the mint price even without any reformation of the silver coin; the value even of the present worn and defaced silver coin being regulated by the value of the excellent gold coin for which it can be changed.

---

[1] [Harris, writing nearly twenty years earlier, had said, 'it would be a ridiculous and vain attempt to make a standard integer of gold, whose parts should be silver; or to make a motley standard, part gold and part silver.'—*Money and Coins*, pt. I., § 36.

[2] [*I.e.*, an ounce of standard gold would not actually fetch £3 17s. 10½d. if sold for cash down.

A seignorage would prevent melting and discourage exportation.

A small seignorage or duty upon the coinage of both gold and silver would probably increase still more the superiority of those metals in coin above an equal quantity of either of them in bullion. The coinage would in this case increase the value of the metal coined in proportion to the extent of this small duty; for the same reason that the fashion increases the value of plate in proportion to the price of that fashion. The superiority of coin above bullion would prevent the melting down of the coin, and would discourage its exportation. If upon any public exigency it should become necessary to export the coin, the greater part of it would soon return again of its own accord. Abroad it could sell only for its weight in bullion. At home it would buy more than that weight. There would be a profit, therefore, in bringing it home again. In France a seignorage of about eight per cent. is imposed upon the coinage,[1] and the French coin, when exported, is said to return home again of its own accord.[2]

Fluctuations in the market price of gold and silver are due to ordinary commercial causes, but steady divergence from mint price is due to the state of the coin.

The occasional fluctuations in the market price of gold and silver bullion arise from the same causes as the like fluctuations in that of all other commodities. The frequent loss of those metals from various accidents by sea and by land, the continual waste of them in gilding and plating, in lace and embroidery, in the wear and tear of coin, and in that of plate;[3] require, in all countries which possess no mines of their own, a continual importation, in order to repair this loss and this waste. The merchant importers, like all other merchants, we may believe, endeavour, as well as they can, to suit their occasional importations to what, they judge, is likely to be the immediate demand. With all their attention, however, they sometimes over-do the business, and sometimes under-do it. When they import more bullion than is wanted, rather than incur the risk and trouble of exporting it again, they are sometimes willing to sell a part of it for something less than the ordinary or average price. When, on the other hand, they import less than is wanted, they get something more than this price. But when, under all those occasional fluctuations, the market price either of gold or silver bullion continues for several years together steadily and constantly, either more or less above, or more or less below the mint price: we may be assured that this steady and constant, either superiority or inferiority of price, is the effect of something in the state of the coin, which, at that time, renders a certain quantity of coin either of more value or of less value than the precise quantity of bullion which it ought to contain. The constancy and steadiness of the effect, supposes a proportionable constancy and steadiness in the cause.

---

[1] [This erroneous statement is repeated below, p. 442, and also vol. ii., p. 53, where the calculations on which it is based are given. See the note on that passage.]

[2] [The question of seignorage is further discussed at some length in the chapter on Commercial Treaties, vol. ii., pp. 51-57.]

[3] [Ed. 1 reads 'in the tear and wear of coin, and in the tear and wear of plate'.]

The price of goods is adjusted to the actual contents of the coinage.

The money of any particular country is, at any particular time and place, more or less an accurate measure of value according as the current coin is more or less exactly agreeable to its standard, or contains more or less exactly the precise quantity of pure gold or pure silver which it ought to contain. If in England, for example, forty-four guineas and a half contained exactly a pound weight of standard gold, or eleven ounces of fine gold and one ounce of alloy, the gold coin of England would be as accurate a measure of the actual value of goods at any particular time and place as the nature of the thing would admit. But if, by rubbing and wearing, forty-four guineas and a half generally contain less than a pound weight of standard gold; the diminution, however, being greater in some pieces than in others; the measure of value comes to be liable to the same sort of uncertainty to which all other weights and measures are commonly exposed. As it rarely happens that these are exactly agreeable to their standard, the merchant adjusts the price of his goods, as well as he can, not to what those weights and measures ought to be, but to what, upon an average, he finds by experience they actually are. In consequence of a like disorder in the coin, the price of goods comes, in the same manner, to be adjusted, not to the quantity of pure gold or silver which the coin ought to contain, but to that which, upon an average, it is found by experience it actually does contain.

By the money-price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin. Six shillings and eight-pence, for example, in the time of Edward I., I consider as the same money-price with a pound sterling in the present times; because it contained, as nearly as we can judge, the same quantity of pure silver.

CHAPTER VI

OF THE COMPONENT PARTS OF THE PRICE OF COMMODITIES

Quantity of labour is originally the only rule of value,

IN that early and rude state of society which precedes both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. If among a nation of hunters, for example, it usually costs twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for or be worth two deer. It is natural that what is usually the produce of two days or two hours labour, should be worth double of what is usually the produce of one day's or one hour's labour.

allowance being made for superior hardship,

If the one species of labour should be more severe than the other, some allowance will naturally be made for this superior hardship; and the produce of one hour's labour in the one way may frequently exchange for that of two hours labour in the other.

and for uncommon dexterity and ingenuity.

Or if the one species of labour requires an uncommon degree of dexterity and ingenuity, the esteem which men have for such talents, will naturally give a value to their produce, superior to what would be due to the time employed about it. Such talents can seldom be acquired but in consequence of long application, and the superior value of their produce may frequently be no more than a reasonable compensation for the time and labour which must be spent in acquiring them. In the advanced state of society, allowances of this kind, for superior hardship and superior skill, are commonly made in the wages of labour; and something of the same kind must probably have taken place in its earliest and rudest period.

The whole produce

In this state of things, the whole produce of labour belongs to the labourer; and [1] the quantity of labour commonly employed in acquiring then belongs to the labourer,

---

[1] [Ed. 1 does not contain 'the whole produce of labour belongs to the labourer; and'. The words, however, occur in all eds. at p. 66 below.]

or producing any commodity, is the only circumstance which can regulate the quantity of labour which it ought commonly to purchase, command, or exchange for.

but when stock is used, something must be given for the profits of the undertaker, and the value of work resolves itself into wages and profits.

As soon as stock has accumulated in the hands of particular persons, some of them will naturally employ it in setting to work industrious people, whom they will supply with materials and subsistence, in order to make a profit by the sale of their work, or by what their labour adds to the value of the materials. In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure. The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages which he advanced. He could have no interest to employ them, unless he expected from the sale of their work something more than what was sufficient to replace his stock to him; and he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock.

Profits are not merely wages of inspection and direction.

The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction. They are, however, altogether different, are regulated by quite different principles, and bear no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and direction. They are regulated altogether by the value of the stock employed, and are greater or smaller in proportion to the extent of this stock. Let us suppose, for example, that in some particular place, where the common annual profits of manufacturing stock are ten per cent. there are two different manufactures, in each of which twenty workmen are employed at the rate of fifteen pounds a year each, or at the expence of three hundred a year in each manufactory. Let us suppose too, that the coarse materials annually wrought up in the one cost only seven hundred pounds, while the finer materials in the other cost seven thousand. The capital annually employed[1] in the one will in this case amount only to one thousand pounds; whereas that employed in the other will amount to seven thousand three hundred pounds. At the rate of ten per cent. therefore, the undertaker of the one will expect an yearly profit of about one hundred pounds only; while that of the other will expect about seven hundred and thirty pounds. But though their profits are so very different, their labour of inspection and direction may be either altogether or very nearly the same. In many great works, almost the whole labour of this kind is [1] committed to some principal clerk. His wages properly express the value of this labour of inspection and direction. Though in settling them some regard is had commonly, not only to his labour and skill, but to the trust which is reposed in him, yet they never bear any regular proportion to the capital of which he oversees the management; and the owner of this capital, though he is thus discharged of almost all labour, still expects that his profits should bear a regular proportion to his capital.[2] In the price of commodities, therefore, the profits of stock constitute a component part [3] altogether different from the wages of labour, and regulated by quite different principles.

---

[1] ['The capital annually employed' is the working expenses for twelve months, not the capital in the usual modern sense.]

The labourer shares with the employer, and labour alone no longer regulates value.

In this state of things, the whole produce of labour does not always belong to the labourer. He must in most cases share it with the owner of the stock which employs him. Neither is the quantity of labour commonly employed in acquiring or producing any commodity, the only circumstance [4] which can regulate the quantity which it ought commonly to purchase, command, or exchange for. An additional quantity, it is evident, must be due for the profits of the stock which advanced the wages and furnished the materials of that labour.

When land has all become private property, rent constitutes a third component part of the price of most commodities.

As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed,[5] and demand a rent even for its natural produce. The wood of the forest, the grass of the field, and all the natural fruits of the earth, which, when land was in common, cost the labourer only the trouble of gathering them, come, even to him,[6] to have an additional price fixed upon them. He must then pay for the licence to gather them; and must give up to the landlord a portion of what his labour either collects or produces. This portion, or, what comes to the same thing, the price of this portion, constitutes the rent of land, and in the price of the greater part of commodities makes a third component part.[7]

---

[1] [Ed. 1 inserts 'frequently'.]

[2] [Eds. 1 and 2 read 'proportion to it'.]

[3] [Ed. 1 reads 'profits of stock are a source of value'.]

[4] [Ed. 1 reads from the beginning of the paragraph: 'In this state of things, therefore, the quantity of labour commonly employed in acquiring or producing any commodity is by no means the only circumstance'.]

[5] [Buchanan, ed. *Wealth of Nations*, 1814, vol. i., p. 80, says: 'They do so. But the question is why this apparently unreasonable demand is so generally complied with. Other men love also to reap where they never sowed, but the landlords alone, it would appear, succeed in so desirable an object.']

[6] [Ed. 1 does not contain 'the labourer' and 'even to him'.]

[7] [Ed. 1 in place of these two sentences reads: 'Men must then pay for the licence to gather them; and in exchanging them either for money, for labour, or for other goods, over and

The real value of all three parts is measured by labour.

The real value of all the different component parts of price, it must be observed, is measured[1] by the quantity of labour which they can, each of them, purchase or command. Labour measures the value not only of that part of price which resolves itself into labour, but of that which resolves itself into rent, and of that which resolves itself into profit.

In an improved society all three parts are generally present,

In every society the price of every commodity finally resolves itself into some one or other, or all of those three parts; and in every improved society, all the three enter more or less, as component parts, into the price of the far greater part of commodities.

for example, in corn,

In the price of corn, for example, one part pays the rent of the landlord, another pays the wages or maintenance of the labourers and labouring cattle[2] employed in producing it, and the third pays the profit of the farmer. These three parts seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear[3] of his labouring cattle, and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a labouring horse, is itself made up of the same three parts; the rent of the land upon which he is reared, the labour of tending and rearing him, and the profits of the farmer who advances both the rent of this land, and the wages of this labour. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, labour,[4] and profit.

---

above what is due, both for the labour of gathering them, and for the profits of the stock which employs that labour, some allowance must be made for the price of the licence, which constitutes the first rent of land. In the price therefore of the greater part of commodities the rent of land comes in this manner to constitute a third source of value. In this state of things, neither the quantity of labour commonly employed in acquiring or producing any commodity, nor the profits of the stock which advanced the wages and furnished the materials of that labour, are the only circumstances which can regulate the quantity of labour which it ought commonly to purchase, command or exchange for. A third circumstance must likewise be taken into consideration; the rent of the land; and the commodity must commonly purchase, command or exchange for, an additional quantity of labour, in order to enable the person who brings it to market to pay this rent.']

[1] [Ed. 1 reads 'The real value of all the different component parts of price is in this manner measured'.]

[2] [Smith overlooks the fact that his inclusion of the maintenance of labouring cattle here as a sort of wages requires him to include it in the national income or 'wealth of the nation,' and therefore to reckon the cattle themselves as part of the nation.]

[3] [Ed. 1 reads 'tear and wear'.]

[4] [The use of 'labour' instead of the more natural 'wages' here is more probably the result of its use five lines higher up than of any feeling of difficulty about the maintenance of cattle. On p. 58 below 'rent, labour and profit' and 'rent, wages and profit' are both used; see below, p. 315, and note.]

In the price of flour or meal, we must add to the price of the corn, the profits of the miller, and the wages of his servants; in the price of bread, the profits of the baker, and the wages of his servants; and in the price of both, the labour of transporting the corn from the house of the farmer to that of the miller, and from that of the miller to that of the baker, together with the profits of those who advance the wages of that labour.

in flour or meal,

The price of flax resolves itself into the same three parts as that of corn. In the price of linen we must add to this price the wages of the flax-dresser, of the spinner, of the weaver, of the bleacher, &c. together with the profits of their respective employers.

and in flax.

As any particular commodity comes to be more manufactured, that part of the price which resolves itself into wages and profit, comes to be greater in proportion to that which resolves itself into rent. In the progress of the manufacture, not only the number of profits increase, but every subsequent profit is greater than the foregoing; because the capital from which it is derived must always be greater. The capital which employs the weavers, for example, must be greater than that which employs the spinners; because it not only replaces that capital with its profits, but pays, besides, the wages of the weavers; and the profits must always bear some proportion to the capital.[1]

Rent is a smaller proportion in highly manufactured commodities.

In the most improved societies, however, there are always a few commodities of which the price resolves itself into two parts only, the wages of labour, and the profits of stock; and a still smaller number, in which it consists altogether in the wages of labour. In the price of sea-fish, for example, one part pays the labour of the fishermen, and the other the profits of the capital employed in the fishery. Rent very seldom makes any part of it, though it does sometimes, as I shall shew hereafter.[2] It is otherwise, at least through the greater part of Europe, in river fisheries. A salmon fishery pays a rent, and rent, though it cannot well be called the rent of land, makes a part of the price of a salmon as well as wages and profit. In some parts of Scotland a few poor people make a trade of gathering, along the sea-shore, those little variegated stones commonly known by the name of Scotch Pebbles. The price which is paid to them by the stone-cutter is altogether the wages of their labour; neither rent nor profit make any part of it.

A few commodities have only two or even one of the three component parts.

---

[1] [The fact that the later manufacturer has to replace what is here called the capital, *i.e.*, the periodical expenditure of the earlier manufacturer, does not necessarily require him to have a greater capital to deal with the same produce. It need not be greater if he requires less machinery and buildings and a smaller stock of materials.]

[2] [Below, p. 146.]

But all must have at least one,

But the whole price of any commodity must still finally resolve itself into some one or other, or all of those three parts; as whatever part of it remains after paying the rent of the land, and the price of the whole labour employed in raising, manufacturing, and bringing it to market, must necessarily be profit to somebody.[1]

and the price of the whole annual produce resolves itself into wages, profits and rent,

As the price or exchangeable value of every particular commodity, taken separately, resolves itself into some one or other, or all of those three parts; so that of all the commodities which compose the whole annual produce of the labour of every country, taken complexly, must resolve itself into the same three parts, and be parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land.[2] The whole of what is annually either collected or produced by the labour of every society, or what comes to the same thing, the whole price of it, is in this manner originally distributed among some of its different members. Wages, profit, and rent, are the three original sources of all revenue as well as of all exchangeable value. All other revenue[3] is ultimately derived from some one or other of these.

which are the only original kinds of revenue.

Whoever derives his revenue from a fund which is his own, must draw it either from his labour, from his stock, or from his land. The revenue derived from labour is called wages. That derived from stock, by the person who manages or employs it, is called profit. That derived from it by the person who does not employ it himself, but lends it to another, is called the interest or the use of money. It is the compensation which the borrower pays to the lender, for the profit which he has an opportunity of making by the use of the money. Part of that profit naturally belongs to the borrower, who runs the risk and takes the trouble of employing it; and part to the lender, who affords him the opportunity of making this profit. The interest of money is always a derivative revenue, which, if it is not paid from the profit which is made by the use of the money, must be paid from some other source of revenue, unless perhaps the borrower is a spendthrift, who contracts a second debt in order to pay the interest of the first. The revenue which proceeds altogether from land, is called rent, and belongs to the landlord. The revenue of the farmer is derived partly from his labour, and partly from his stock. To him, land is only the instrument which enables him to earn the wages of this labour, and to make the profits of this stock. All taxes, and all the revenue which is founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of those three original sources of revenue, and are paid either immediately or mediately from the wages of labour, the profits of stock, or the rent of land.

---

[1] [Only true if 'commodity' be understood to include solely goods which constitute income.]

[2] [The 'whole annual produce' must be taken to mean the income and not the whole mass of goods produced, including those which perish or are used up in the creation of others.]

[3] [Some parts of this 'other revenue,' *viz.*, interest and taxes, are mentioned in the next paragraph. It is perhaps also intended to include the rent of houses; see below, pp. 263, 264.]

They are sometimes confounded,

When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same they are sometimes confounded with one another, at least in common language.

for example, a gentleman farmer's rent is called profit,

A gentleman who farms a part of his own estate, after paying the expence of cultivation, should gain both the rent of the landlord and the profit of the farmer. He is apt to denominate, however, his whole gain, profit, and thus confounds rent with profit, at least in common language. The greater part of our North American and West Indian planters are in this situation. They farm, the greater part of them, their own estates, and accordingly we seldom hear of the rent of a plantation, but frequently of its profit.

a common farmer's wages are called profit,

Common farmers seldom employ any overseer to direct the general operations of the farm. They generally too work a good deal with their own hands, as ploughmen, harrowers, &c. What remains of the crop after paying the rent, therefore, should not only replace to them their stock employed in cultivation, together with its ordinary profits, but pay them the wages which are due to them, both as labourers and overseers. Whatever remains, however, after paying the rent and keeping up the stock, is called profit. But wages evidently make a part of it. The farmer, by saving these wages, must necessarily gain them. Wages, therefore, are in this case confounded with profit.

and so are an independent manufacturer's wages,

An independent manufacturer, who has stock enough both to purchase materials, and to maintain himself till he can carry his work to market, should gain both the wages of a journeyman who works under a master, and the profit which that master makes by the sale of the journeyman's work.[1] His whole gains, however, are commonly called profit, and wages are, in this case too, confounded with profit.[2]

while the rent and profit of a gardener cultivating his own land are considered earnings of labour.

A gardener who cultivates his own garden with his own hands, unites in his own person the three different characters, of landlord, farmer, and labourer. His produce, therefore, should pay him the rent of the first, the profit of the second, and the wages of the third. The whole, however, is commonly considered as the earnings of his labour. Both rent and profit are, in this case, confounded with wages.

---

[1] [Ed. 1 reads 'sale of his work'.]

[2] [Below, pp. 113, 114.]

A great part of the annual produce goes to the idle; the proportion regulates the increase or diminution of the produce.

As in a civilized country there are but few commodities of which the exchangeable value arises from labour only, rent and profit contributing largely to that of the far greater part of them, so the annual produce of its labour will always be sufficient to purchase or command a much greater quantity of labour than what was employed in raising, preparing, and bringing that produce to market. If the society were[1] annually to employ all the labour which it can annually purchase, as the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country in which the whole annual produce is employed in maintaining the industrious. The idle every where consume a great part of it; and according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase, or diminish, or continue the same from one year to another.

---

[1] [Eds. 1-3 read 'was'.]

CHAPTER VII

OF THE NATURAL AND MARKET PRICE OF COMMODITIES[1]

Ordinary or average rates of wages, profit,

THERE is in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter,[2] partly by the general circumstances of the society, their riches or poverty, their advancing, stationary, or declining condition; and partly by the particular nature of each employment.

and rent

There is likewise in every society or neighbourhood an ordinary or average rate of rent, which is regulated too, as I shall show hereafter,[3] partly by the general circumstances of the society or neighbourhood in which the land is situated, and partly by the natural or improved fertility of the land.

may be called natural rates,

These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail.

to pay which a commodity is sold at its natural price,

When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing, and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price.

or for what it really costs, which includes profit,

The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market; for though in common language what is called the prime cost of any commodity does not comprehend the profit of the person who is to sell it again, yet if he sells it at a price which does not allow him the ordinary rate of profit in his neighbourhood, he is evidently a loser by the trade; since by employing his stock in some other way he might have made that profit. His profit, besides, is his revenue, the proper fund of his subsistence. As, while he is preparing and bringing the goods to market, he advances to his workmen their wages, or their subsistence; so he advances to himself, in the same manner, his own subsistence, which is generally suitable to the profit which he may reasonably expect from the sale of his goods. Unless they yield him this profit, therefore, they do not repay him what they may very properly be said to have really cost him.

---

[1] [The chapter follows *Lectures*, pp. 173-182, very closely.]

[2] [Below, chaps. viii. and ix.]

[3] [Below, chap. xi.]

since no one will go on selling without profit.

Though the price, therefore, which leaves him this profit, is not always the lowest at which a dealer may sometimes sell his goods, it is the lowest at which he is likely to sell them for any considerable time; at least where there is perfect liberty,[1] or where he may change his trade as often as he pleases.

Market price

The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price.

is regulated by the quantity brought to market and the effectual demand.

The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay the natural price of the commodity, or the whole value of the rent, labour, and profit,[2] which must be paid in order to bring it thither. Such people may be called the effectual demanders, and their demand the effectual demand; since it may be sufficient to effectuate the bringing of the commodity to market. It is different from the absolute demand. A very poor man may be said in some sense to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as the commodity can never be brought to market in order to satisfy it.

When the quantity brought falls short of the effectual demand, the market price rises above the natural;

When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay the whole value of the rent, wages, and profit, which must be paid in order to bring it thither, cannot be supplied with the quantity which they want. Rather than want it altogether, some of them will be willing to give more. A competition will immediately begin among them, and the market price will rise more or less above the natural price, according as either the greatness of the deficiency, or the wealth and wanton luxury of the competitors, happen to animate more or less the eagerness of the competition. Among competitors of equal wealth and luxury the same deficiency[3] will generally occasion a more or less eager competition, according as the acquisition of the commodity happens to be of more or less importance to them.[1] Hence the exorbitant price of the necessaries of life during the blockade of a town or in a famine.

---

[1] [The same phrase occurs below, pp. 64, 101.]

[2] [Above, p. 52 and note 4.]

[3] [Ed. 1, beginning three lines higher up, reads 'according as the greatness of the deficiency increases more or less the eagerness of this competition. The same deficiency'.]

when it exceeds the effectual demand the market price falls below the natural;

When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages and profit, which must be paid in order to bring it thither. Some part must be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink more or less below the natural price, according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity. The same excess in the importation of perishable, will occasion a much greater competition than in that of durable commodities; in the importation of oranges, for example, than in that of old iron.

when it is just equal to the effectual demand the market and natural price coincide.

When the quantity brought to market is just sufficient to supply the effectual demand and no more, the market price naturally comes to be either exactly, or as nearly as can be judged of, the same with the natural price. The whole quantity upon hand can be disposed of for this price, and cannot be disposed of for more. The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less.

It naturally suits itself to the effectual demand.

The quantity of every commodity brought to market naturally suits itself to the effectual demand. It is the interest of all those who employ their land, labour, or stock, in bringing any commodity to market, that the quantity never should exceed the effectual demand; and it is the interest of all other people that it never should fall short of that demand.[2]

When it exceeds that demand, some of the component parts of its price are below their natural rate;

If at any time it exceeds the effectual demand, some of the component parts of its price must be paid below their natural rate. If it is rent, the interest of the landlords will immediately prompt them to withdraw a part of their land; and if it is wages or profit, the interest of the labourers in the one case, and of their employers in the other, will prompt them to withdraw a part of their labour or stock from this employment. The quantity brought to market will soon be no more than sufficient to supply the effectual demand. All the different parts of its price will rise to their natural rate, and the whole price to its natural price.

---

[1] [Ed. 1 reads 'the competitors'.]

[2] [Ed. 1 reads 'fall short of it'.]

when it falls short, some of the component parts are above their natural rate.

If, on the contrary, the quantity brought to market should at any time fall short of the effectual demand, some of the component parts of its price must rise above their natural rate. If it is rent, the interest of all other landlords will naturally prompt them to prepare more land for the raising of this commodity; if it is wages or profit, the interest of all other labourers and dealers will soon prompt them to employ more labour and stock in preparing and bringing it to market. The quantity brought thither will soon be sufficient to supply the effectual demand. All the different parts of its price will soon sink to their natural rate, and the whole price to its natural price.

Natural price is the central price to which actual prices gravitate.

The natural price, therefore, is, as it were, the central price, to which the prices of all commodities are continually gravitating. Different accidents may sometimes keep them suspended a good deal above it, and sometimes force them down even somewhat below it. But whatever may be the obstacles which hinder them from settling in this center of repose and continuance, they are constantly tending towards it.

Industry suits itself to the effectual demand.

The whole quantity of industry annually employed in order to bring any commodity to market, naturally suits itself in this manner to the effectual demand. It naturally aims at bringing always that precise quantity thither which may be sufficient to supply, and no more than supply, that demand.

but the quantity produced by a given amount of industry sometimes fluctuates.

But in some employments the same quantity of industry will in different years produce very different quantities of commodities;[1] while in others it will produce always the same, or very nearly the same. The same number of labourers in husbandry will, in different years, produce very different quantities of corn, wine, oil, hops, &c. But the same number of spinners and weavers will every year produce the same or very nearly the same quantity of linen and woollen cloth. It is only the average produce of the one species of industry which can be suited in any respect to the effectual demand; and as its actual produce is frequently much greater and frequently much less than its average produce, the quantity of the commodities brought to market will sometimes exceed a good deal, and sometimes fall short a good deal, of the effectual demand. Even though that demand therefore should continue always the same, their market price will be liable to great fluctuations, will sometimes fall a good deal below, and sometimes rise a good deal above, their natural price. In the other species of industry, the produce of equal quantities of labour being always the same, or very nearly the same, it can be more exactly suited to the effectual demand. While that demand continues the same, therefore, the market price of the commodities is likely to do so too, and to be either altogether, or as nearly as can be judged of, the same with the natural price. That the price of linen and woollen cloth is liable neither to such frequent nor to such great variations as the price of corn, every man's experience will inform him. The price of the one species of commodities varies only with the variations in the demand: That of the other varies not only with the variations in the demand, but with the much greater and more frequent variations in the quantity of what is brought to market in order to supply that demand.

---

[1] [See below, p. 117.]

The fluctuations fall on wages and profit more than on rent,

The occasional and temporary fluctuations in the market price of any commodity fall chiefly upon those parts of its price which resolve themselves into wages and profit. That part which resolves itself into rent is less affected by them. A rent certain in money is not in the least affected by them either in its rate or in its value. A rent which consists either in a certain proportion or in a certain quantity of the rude produce, is no doubt affected in its yearly value by all the occasional and temporary fluctuations in the market price of that rude produce; but it is seldom affected by them in its yearly rate. In settling the terms of the lease, the landlord and farmer endeavour, according to their best judgment, to adjust that rate, not to the temporary and occasional, but to the average and ordinary price of the produce.

affecting them in different proportions according to the supply of commodities and labour.

Such fluctuations affect both the value and the rate either of wages or of profit, according as the market happens to be either over-stocked or under-stocked with commodities or with labour; with work done, or with work to be done. A public mourning raises the price of black cloth[1] (with which the market is almost always under-stocked upon such occasions), and augments the profits of the merchants who possess any considerable quantity of it. It has no effect upon the wages of the weavers. The market is under-stocked with commodities, not with labour; with work done, not with work to be done. It raises the wages of journeymen taylors. The market is here under-stocked with labour. There is an effectual demand for more[2] labour, for more work to be done than can be had. It sinks the price of coloured silks and cloths, and thereby reduces the profits of the merchants who have any considerable quantity of them upon hand. It sinks too the wages of the workmen employed in preparing such commodities, for which all demand is stopped for six months, perhaps for a twelvemonth. The market is here over-stocked both with commodities and with labour.

---

[1] [Repeated below, p. 117.]

[2] [Ed. 1 does not contain 'more'.]

But market price may be kept above natural for a long time,

But though the market price of every particular commodity is in this manner continually gravitating, if one may say so, towards the natural price, yet sometimes particular accidents, sometimes natural causes, and sometimes particular regulations of police, may, in many commodities, keep up the market price, for a long time together, a good deal above the natural price.

in consequence of want of general knowledge of high profits,

When by an increase in the effectual demand, the market price of some particular commodity happens to rise a good deal above the natural price, those who employ their stocks in supplying that market are generally careful to conceal this change. If it was commonly known, their great profit would tempt so many new rivals to employ their stocks in the same way, that, the effectual demand being fully supplied, the market price would soon be reduced to the natural price, and perhaps for some time even below it. If the market is at a great distance from the residence of those who supply it, they may sometimes be able to keep the secret for several years together, and may so long enjoy their extraordinary profits without any new rivals. Secrets of this kind, however, it must be acknowledged, can seldom be long kept; and the extraordinary profit can last very little longer than they are kept.

or in consequence of secrets in manufactures,

Secrets in manufactures are capable of being longer kept than secrets in trade. A dyer who has found the means of producing a particular colour with materials which cost only half the price of those commonly made use of, may, with good management, enjoy the advantage of his discovery as long as he lives, and even leave it as a legacy to his posterity. His extraordinary gains arise from the high price which is paid for his private labour. They properly consist in the high wages of that labour. But as they are repeated upon every part of his stock, and as their whole amount bears, upon that account, a regular proportion to it, they are commonly considered as extraordinary profits of stock.[1]

which may operate for long periods,

Such enhancements of the market price are evidently the effects of particular accidents, of which, however, the operation may sometimes last for many years together.

or in consequence of scarcity of peculiar soils,

Some natural productions require such a singularity of soil and situation, that all the land in a great country, which is fit for producing them, may not be sufficient to supply the effectual demand. The whole quantity brought to market, therefore, may be disposed of to those who are willing to give more than what is sufficient to pay the rent of the land which produced them, together with the wages of the labour, and the profits of the stock which were employed in preparing and bringing them to market, according to their natural rates. Such commodities may continue for whole centuries together to be sold at this high price;[1] and that part of it which resolves itself into the rent of land is in this case the part which is generally paid above its natural rate. The rent of the land which affords such singular and esteemed productions, like the rent of some vineyards in France of a peculiarly happy soil and situation, bears no regular proportion to the rent of other equally fertile and equally well-cultivated land in its neighbourhood. The wages of the labour and the profits of the stock employed in bringing such commodities to market, on the contrary, are seldom out of their natural proportion to those of the other employments of labour and stock in their neighbourhood.

---

[1] [They are called profits simply because all the gains of the master-manufacturer are called profits. They can scarcely be said to have been 'considered' at all; if they had been, they would doubtless have been pronounced to be, in the words of the next paragraph, 'the effects of a particular accident,' namely, the possession of peculiar knowledge on the part of the dyer.]

which may continue for ever.

Such enhancements of the market price are evidently the effect of natural causes which may hinder the effectual demand from ever being fully supplied, and which may continue, therefore, to operate for ever.

A monopoly has the same effect as a trade secret,

A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly under-stocked, by never fully supplying the effectual demand, sell their commodities much above the natural price, and raise their emoluments, whether they consist in wages or profit, greatly above their natural rate.

the price of monopoly being the highest which can be got.

The price of monopoly is upon every occasion the highest which can be got. The natural price, or the price of free competition, on the contrary, is the lowest which can be taken, not upon every occasion indeed, but for any considerable time together. The one is upon every occasion the highest which can be squeezed out of the buyers, or which, it is supposed, they will consent to give: The other is the lowest which the sellers can commonly afford to take, and at the same time continue their business.

Corporation privileges, etc., are enlarged monopolies.

The exclusive privileges of corporations, statutes of apprenticeship,[2] and all those laws which restrain, in particular employments, the competition to a smaller number than might otherwise go into them, have the same tendency, though in a less degree. They are a sort of enlarged monopolies, and may frequently, for ages together, and in whole classes of employments, keep up the market price of particular commodities above the natural price, and maintain both the wages of the labour and the profits of the stock employed about them somewhat above their natural rate.

---

[1] [Ed. 1 places 'for whole centuries together' here instead of in the line above.]

[2] [See below, pp. 120-131. Playfair, in a note on this passage, ed. *Wealth of Nations*, 1805, vol. i., p. 97, says: 'This observation about corporations and apprenticeships scarcely applies at all to the present day. In London, for example, the freemen only can carry on certain businesses within the city: there is not one of those businesses that may not be carried on elsewhere, and the produce sold in the city. If Mr. Smith's principle applied, goods would be dearer in Cheapside than in Bond Street, which is not the case.']

Such enhancements of the market price may last as long as the regulations of police which give occasion to them.

Market price is seldom long below natural price,

The market price of any particular commodity, though it may continue long above, can seldom continue long below, its natural price. Whatever part of it was paid below the natural rate, the persons whose interest it affected would immediately feel the loss, and would immediately withdraw either so much land, or so much labour, or so much stock, from being employed about it, that the quantity brought to market would soon be no more than sufficient to supply the effectual demand. Its market price, therefore, would soon rise to the natural price. This at least would be the case where there was perfect liberty.[1]

though apprenticeship and corporation laws sometimes reduce wages much below the natural rate for a certain period.

The same statutes of apprenticeship and other corporation laws indeed, which, when a manufacture is in prosperity, enable the workman to raise his wages a good deal above their natural rate, sometimes oblige him, when it decays, to let them down a good deal below it. As in the one case they exclude many people from his employment, so in the other they exclude him from many employments. The effect of such regulations, however, is not near so durable in sinking the workman's wages below, as in raising them above, their natural rate. Their operation in the one way may endure for many centuries, but in the other it can last no longer than the lives of some of the workmen who were bred to the business in the time of its prosperity. When they are gone, the number of those who are afterwards educated to the trade will naturally suit itself to the effectual demand. The police must be as violent as that of Indostan or antient Egypt[2] (where every man was bound by a principle of religion to follow the occupation of his father, and was supposed to commit the most horrid sacrilege if he changed it for another), which can in any particular employment, and for several generations together, sink either the wages of labour or the profits of stock below their natural rate.

This is all that I think necessary to be observed at present concerning the deviations, whether occasional or permanent, of the market price of commodities from the natural price.

---

[1] [Above, p. 58, and below, p. 101.]

[2] [In *Lectures*, p. 168, the Egyptian practice is attributed to 'a law of Sesostris'.]

The natural price itself varies with the natural rate of each of its component parts, of wages, profit, and rent; and in every society this rate varies according to their circumstances, according to their riches or poverty, their advancing, stationary, or declining condition. I shall, in the four following chapters, endeavour to explain, as fully and distinctly as I can, the causes of those different variations.

Natural price varies with the natural rate of wages, profit and rent.

First, I shall endeavour to explain what are the circumstances which naturally determine the rate of wages, and in what manner those circumstances are affected by the riches or poverty, by the advancing, stationary, or declining state of the society.

Wages will be dealt with in chapter viii.,

Secondly, I shall endeavour to show what are the circumstances which naturally determine the rate of profit, and in what manner too those circumstances are affected by the like variations in the state of the society.

profit in chapter ix.,

Though pecuniary wages and profit are very different in the different employments of labour and stock; yet a certain proportion seems commonly to take place between both the pecuniary wages in all the different employments of labour, and the pecuniary profits in all the different employments of stock. This proportion, it will appear hereafter, depends partly upon the nature of the different employments, and partly upon the different laws and policy of the society in which they are carried on. But though in many respects dependent upon the laws and policy, this proportion seems to be little affected by the riches or poverty of that society; by its advancing, stationary, or declining condition; but to remain the same or very nearly the same in all those different states. I shall, in the third place, endeavour to explain all the different circumstances which regulate this proportion.

differences of wages and profit in chapter x.,

In the fourth and last place, I shall endeavour to show what are the circumstances which regulate the rent of land, and which either raise or lower the real price of all the different substances which it produces.

and rent in chapter xi.

CHAPTER VIII

OF THE WAGES OF LABOUR

Produce is the natural wages of labour.

THE produce of labour constitutes the natural recompence or wages of labour.

Originally the whole belonged to the labourer.

In that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer.[1] He has neither landlord nor master to share with him.

If this had continued, all things would have become cheaper,

Had this state continued, the wages of labour would have augmented with all those improvements in its productive powers, to which the division of labour gives occasion. All things would gradually have become cheaper.[2] They would have been produced by a smaller quantity of labour; and as the commodities produced by equal quantities of labour would naturally in this state of things be exchanged for one another, they would have been purchased likewise with the produce of a smaller quantity.

though in appearance many things might have become dearer.

But though all things would have become cheaper in reality, in appearance many things might have become dearer than before, or have been exchanged for a greater quantity of other goods.[3] Let us suppose, for example, that in the greater part of employments the productive powers of labour had been improved to tenfold, or that a day's labour could produce ten times the quantity of work which it had done originally; but that in a particular employment they had been improved only to double, or that a day's labour could produce only twice the quantity of work which it had done before. In exchanging the produce of a day's labour in the greater part of employments, for that of a day's labour in this particular one, ten times the original quantity of work in them would purchase only twice the original quantity in it. Any particular quantity in it, therefore, a pound weight, for example, would appear to be five times dearer than before.[1] In reality,[2] however, it would be twice as cheap. Though it required five times the quantity of other goods to purchase it, it would require only half the quantity of labour either to purchase or to produce it. The acquisition, therefore, would be twice as easy[3] as before.

---

[1] [The same nine words occur above, p. 49, in ed. 2 and later eds.]

[2] [The word 'cheaper' is defined by the next sentence as 'produced by a smaller quantity of labour'.]

[3] [It would be less confusing if the sentence ran: 'But though all things would have become cheaper in the sense just attributed to the word, yet in the sense in which the words cheaper and dearer are ordinarily used many things might have become dearer than before.']

This state was ended by the appropriation of land and accumulation of stock,

But this original state of things, in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first introduction of the appropriation of land and the accumulation of stock. It was at an end, therefore, long before the most considerable improvements were made in the productive powers of labour, and it would be to no purpose to trace further what might have been its effects upon the recompence or wages of labour.

rent being the first deduction,

As soon as land becomes private property, the landlord demands a share of almost all the produce which[4] the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land.

and profit the second, both in agriculture,

It seldom happens that the person who tills the ground has wherewithal to maintain himself till he reaps the harvest. His maintenance is generally advanced to him from the stock of a master, the farmer who employs him, and who would have no interest to employ him, unless he was to share in the produce of his labour, or unless his stock was to be replaced to him with a profit. This profit makes a second deduction from the produce of the labour which is employed upon land.

and other arts and manufactures.

The produce of almost all other labour is liable to the like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be compleated.[5] He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit.[6]

The independent workman gets profits

It sometimes happens, indeed, that a single independent workman has stock sufficient both to purchase the materials of his work, and to maintain himself till it be compleated. He is both master and work-as well as wages.

---

[1] [*I.e.*, 'would in the ordinary sense of the word be five times dearer than before'.]

[2] [*I.e.*, 'in the sense attributed to the word above'.]

[3] [If the amount of labour necessary for the acquisition of a thing measures its value, 'twice as cheap' means simply, twice as easy to acquire.]

[4] [Ed. 1 reads 'of whatever produce'.]

[5] [The provision of tools to work with and buildings to work in is forgotten.]

[6] [Cp. with this account that given at the beginning of chap. vi., pp. 49, 50 above.]

man, and enjoys the whole produce of his own labour, or the whole value which it adds to the materials upon which it is bestowed. It includes what are usually two distinct revenues, belonging to two distinct persons, the profits of stock, and the wages of labour.

but this case is infrequent.

Such cases, however, are not very frequent, and in every part of Europe, twenty workmen serve under a master for one that is independent; and the wages of labour are every where understood to be, what they usually are, when the labourer is one person, and the owner of the stock which employs him another.

Wages depend on contract between masters and workmen.

What are the common wages of labour, depends every where upon the contract usually made between those two parties, whose interests are by no means the same. The workmen desire to get as much, the masters to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.

The masters have the advantage,

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations,[1] while it prohibits those of the workmen.[2] We have no acts of parliament against combining to lower the price of work; but many against combining to raise it. In all such disputes the masters can hold out much longer. A landlord, a farmer, a master manufacturer, or merchant, though they did not employ a single workman, could generally live a year or two upon the stocks which they have already acquired. Many workmen could not subsist a week, few could subsist a month, and scarce any a year without employment. In the long-run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate.

though less is heard of masters' combinations than of workmen's.

We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject. Masters are always and every where in a sort of tacit, but constant and uniform combination, not to raise the wages of labour above their actual rate. To violate this combination is every where a most unpopular action, and a sort of reproach to a master among his neighbours and equals. We seldom, indeed, hear of this combination, because it is the usual, and one may say, the natural state of things which nobody ever hears of. Masters too sometimes enter into particular combinations to sink the wages of labour even below this rate. These are always conducted with the utmost silence and secrecy, till the moment of execution, and when the workmen yield, as they sometimes do, without resistance, though severely felt by them, they are never heard of by other people. Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen; who sometimes too, without any provocation of this kind, combine of their own accord to raise the price of their labour. Their usual pretences[1] are, sometimes the high price of provisions; sometimes the great profit which their masters make by their work. But whether their combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamour, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either[2] starve, or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous upon the other side, and never cease to call aloud for the assistance of the civil magistrate, and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, labourers, and journeymen. The workmen, accordingly, very seldom derive any advantage from the violence of those tumultuous combinations, which, partly from the interposition of the civil magistrate, partly from the superior steadiness of the masters, partly from the necessity which the greater part of the workmen are under of submitting for the sake of present subsistence, generally end in nothing, but the punishment or ruin of the ringleaders.

---

[1] [Ed. 1 reads, 'The masters being fewer in number can not only combine more easily, but the law authorises their combinations, or at least does not prohibit them'.]

[2] [*E.g.*, 7 Geo. I., stat. 1, c. 13, as to London tailors; 12 Geo. I., c. 34, as to woolcombers and weavers; 12 Geo. I., c. 35, as to brick and tile makers within fifteen miles of London; 22 Geo. II., c. 27, § 12, as to persons employed in the woollen manufacture and many others.]

But masters cannot reduce wages below a certain rate,

But though in disputes with their workmen, masters must generally have the advantage, there is however a certain rate below which it seems impossible to reduce, for any considerable time, the ordinary wages even of the lowest species of labour.

namely, subsistence for a man and something over for a family.

A man must always live by his work, and his wages must at least be sufficient to maintain him. They must even upon most occasions be somewhat more; otherwise it would be impossible for him to bring up a family, and the race of such workmen could not last beyond the first generation. Mr. Cantillon seems, upon this account, to suppose that the lowest species of common labourers must every where earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children; the labour of the wife, on account of her necessary attendance on the children, being supposed no more than sufficient to provide for herself.[1] But one-half the children born, it is computed, die before the age of manhood.[2] The poorest labourers, therefore, according to this account, must, one with another, attempt to rear at least four children, in order that two may have an equal chance of living to that age. But the necessary maintenance of four children, it is supposed, may be nearly equal to that of one man. The labour of an able-bodied slave, the same author adds, is computed to be worth double his maintenance; and that of the meanest labourer, he thinks, cannot be worth less than that of an able-bodied slave. Thus far at least seems certain, that, in order to bring up a family, the labour of the husband and wife together must, even in the lowest species of common labour, be able to earn something more than what is precisely necessary for their own maintenance; but in what proportion, whether in that above mentioned, or in any other, I shall not take upon me to determine.[3]

---

[1] [The word is used as elsewhere in Adam Smith without the implication of falsity now attached to it: a pretence is simply something put forward.]

[2] [Ed. 1 does not contain 'either'.]

Wages may be considerably above this rate,

There are certain circumstances, however, which sometimes give the labourers an advantage, and enable them to raise their wages considerably above this rate; evidently the lowest which is consistent with common humanity.

when there is an increasing demand for labourers,

When in any country the demand for those who live by wages; labourers, journeymen, servants of every kind, is continually increasing; when every year furnishes employment for a greater number than had been employed the year before, the workmen have no occasion to combine in order to raise their wages. The scarcity of hands occasions a competition among masters, who bid against one another, in order to get workmen,[4] and thus voluntarily break through the natural combination of masters not to raise wages.

which is caused by an increase of the funds

The demand for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined for destined for the payment of wages. The funds consist of

---

[1] [*Essai sur la nature du commerce en général*, 1755, pp. 42-47. The 'seems' is not meaningless, as Cantillon is unusually obscure in the passage referred to. It is not clear whether he intends to include the woman's earnings or not.]

[2] [*I.e.*, before completing their seventeenth year, as stated by Dr. Halley, quoted by Cantillon, *Essai*, pp. 42, 43.]

[3] [Cantillon himself, p. 44, says: 'C'est une matière qui n'admet pas un calcul exact, et dans laquelle la précision n'est pas même fort nécessaire, il suffit qu'on ne s'y éloigne pas beaucoup de la réalité.']

[4] [Ed. 1 reads 'them'.]

the payment of wages. These funds are of two kinds; first, the revenue which is over and above what is necessary for the maintenance;[1] and, secondly, the stock which is over and above what is necessary for the employment of their masters.

surplus revenue,

When the landlord, annuitant, or monied man, has a greater revenue than what he judges sufficient to maintain his own family, he employs either the whole or a part of the surplus in maintaining one or more menial servants.[2] Increase this surplus, and he will naturally increase the number of those servants.

and surplus stock.

When an independent workman, such as a weaver or shoe-maker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by their work. Increase this surplus, and he will naturally increase the number of his journeymen.

The demand for labourers therefore increases with the increase of national wealth.

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth.[3] The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

High wages are occasioned by the increase, not by the actual greatness of national wealth.

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages[4] of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest. England is certainly, in the present times, a much richer[5] country than any part of North America. The wages of labour, however, are much higher in North America than in any part of England. In the province of New York, common labourers earn[6] three shillings and sixpence currency, equal to two shillings sterling, a day; ship carpenters, ten shillings and sixpence currency, with a pint of rum worth sixpence sterling, equal in all to six shillings and sixpence sterling; house carpenters and bricklayers, eight shillings currency, equal to four shillings and sixpence sterling; journeymen taylors, five shillings currency, equal to about two shillings and ten pence sterling. These prices are all above the London price; and wages are said to be as high in the other colonies as in New York. The price of provisions is every where in North America much lower than in England. A dearth has never been known there. In the worst seasons, they have always had a sufficiency for themselves, though less for exportation. If the money price of labour, therefore, be higher than it is any where in the mother country, its real price, the real command of the necessaries and conveniencies of life which it conveys to the labourer, must be higher in a still greater proportion.

---

[1] [There is no attempt to define 'maintenance,' and consequently the division of a man's revenue into what is necessary for his maintenance and what is over and above is left perfectly vague.]

[2] [It seems to be implied here that keeping a menial servant, even to perform the most necessary offices (*e.g.*, to nurse the infant child of a widower), is not 'maintaining' a family.]

[3] [Above, p. 1, the wealth of a nation was treated as synonymous with its annual produce, and there has been hitherto no suggestion that its stock must be considered.]

[4] [Apparently this is a slip for 'occasions high wages'. At any rate the next sentences require this assertion and not that actually made.]

[5] [The method of calculating wealth by the amount of annual produce per head adopted above, p. 1, is departed from here and below, p. 73, and frequently in later passages, in favour of the calculation by amount of capital wealth.]

[6] This was written in 1773, before the commencement of the late disturbances. [Ed. 1 does not contain this note; eds. 2 and 3 read 'present disturbances'.]

North America is more thriving than England.

But though North America is not yet so rich as England, it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches. The most decisive mark of the prosperity of any country is the increase of the number of its inhabitants. In Great Britain, and most other European countries, they are not supposed to double in less than five hundred years. In the British colonies in North America, it has been found, that they double in twenty or five-and-twenty years.[1] Nor in the present times is this increase principally owing to the continual importation of new inhabitants, but to the great multiplication of the species. Those who live to old age, it is said, frequently see there from fifty to a hundred, and sometimes many more, descendants from their own body. Labour is there so well rewarded that a numerous family of children, instead of being a burthen is a source of opulence and prosperity to the parents. The labour of each child, before it can leave their house, is computed to be worth a hundred pounds clear gain to them. A young widow with four or five young children, who, among the middling or inferior ranks of people in Europe, would have so little chance for a second husband, is there frequently courted as a sort of fortune. The value of children is the greatest of all encouragements to marriage. We cannot, therefore, wonder that the people in North America should generally marry very young. Notwithstanding the great increase occasioned by such early marriages, there is a continual complaint of the scarcity of hands in North America. The demand for labourers, the funds destined for maintaining them, increase, it seems, still faster than they can find labourers to employ.

---

[1] [Petty, *Political Arithmetic*, 1699, p. 18, made the period for England 360 years. Gregory King, quoted by Davenant, *Works*, ed. Whitworth, 1771, vol. ii., p. 176, makes it 435 years in the past and probably 600 in the future. In 1703 the population of Virginia was 60,000, in 1755 it was 300,000, and in 1765 it was 500,000, 'by which they appear to have doubled their numbers every twenty years as nigh as may be'.—*The Present State of Great Britain and North America with regard to Agriculture, Population, Trade and Manufactures*, 1767, p. 22, note. 'The original number of persons who in 1643 had settled in New England was 21,200. Ever since, it is reckoned that more have left them than have gone to them. In the year 1760 they were increased to half a million. They have therefore all along doubled their own number in twenty-five years.'—Richard Price, *Observations on Reversionary Payments*, etc., 1771, pp. 204, 205. The statement as to America is repeated below, p. 390.]

Wages are not high in a stationary country however rich.

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent; but if they have continued for several centuries of the same, or very nearly of the same extent, the number of labourers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the labourers would be obliged to bid against one another in order to get it. If in such a country the wages of labour had ever been more than sufficient to maintain the labourer, and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. China has been long one of the richest, that is, one of the most fertile, best cultivated, most industrious, and most populous countries in the world.[1] It seems, however, to have been long stationary. Marco Polo, who visited it more than five hundred years ago,[2] describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travellers in the present times. It had perhaps, even long before his time, acquired that full complement of riches which the nature of its laws and institutions permits it to acquire. The accounts of all travellers, inconsistent in many other respects, agree in the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China. If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Instead of waiting indolently in their work-houses, for the calls of their customers, as in Europe, they are continually running about the streets with the tools of their respective trades, offering their service, and as it were begging employment.[1] The poverty of the lower ranks of people in China far surpasses that of the most beggarly nations in Europe. In the neighbourhood of Canton many hundred, it is commonly said, many thousand families have no habitation on the land, but live constantly in little fishing boats upon the rivers and canals. The subsistence which they find there is so scanty that they are eager to fish up the nastiest garbage thrown overboard from any European ship. Any carrion, the carcase of a dead dog or cat, for example, though half putrid and stinking, is as welcome to them as the most wholesome food to the people of other countries. Marriage is encouraged in China, not by the profitableness of children, but by the liberty of destroying them. In all great towns several are every night exposed in the street, or drowned like puppies in the water. The performance of this horrid office is even said to be the avowed business by which some people earn their subsistence.[2]

---

[1] [Here we have a third method of calculating the riches or wealth of a country, namely by the amount of produce per acre. For other references to this 'wealth' of China see the index, *s.v.* China.]

[2] [The date of his arrival was 1275.]

China is not going backwards and labourers there keep up their numbers.

China, however, though it may perhaps stand still, does not seem to go backwards. Its towns are no-where deserted by their inhabitants. The lands which had once been cultivated are no-where neglected. The same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished. The lowest class of labourers, therefore, notwithstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers.

In a declining

But it would be otherwise in a country where the funds destined for country this would not be the case.

---

[1] [' Les artisans courent les villes du matin au soir pour chercher pratique,' Quesnay, *Éphémérides du citoyen*, Mars, 1767; in *Œuvres*, ed. Oncken, 1888, p. 581.]

[2] [' Cependant quelque sobre et quelque industrieux que soit le peuple de la Chine, le grand nombre de ses habitants y cause beaucoup de misère. On en voit de si pauvres, que ne pouvant fournir à leurs enfants les aliments nécessaires, ils les exposent dans les rues, surtout lorsque les mères tombent malades, ou qu'elles manquent de lait pour les nourrir. Ces petits innocents sont condamnés en quelque manière à la mort presque au même instant qu'ils ont commencé de vivre : cela frappe dans les grandes villes, comme Peking, Canton ; car dans les autres villes à peine s'en aperçoit-on.

' C'est ce qui a porté les missionnaires à entretenir dans ces endroits très peuplés, un nombre de catéchistes, qui en partagent entre eux tous les quartiers, et les parcourent tous les matins, pour procurer la grâce du baptême à une multitude d'enfants moribonds.

' Dans la même vue on a quelquefois gagné des sages-femmes infidèles afin qu'elles permissent à des filles chrétiennes de les suivre dans les différentes maisons où elles sont appelées : car il arrive quelquefois que les Chinois se trouvant hors d'état de nourrir une nombreuse famille, engagent ces sages-femmes à étouffer dans un bassin plein d'eau les petites filles aussitôt qu'elles sont nées ; ces chrétiennes ont soin de les baptiser, et par ce moyen ces tristes victimes de l'indigence de leurs parents trouvent la vie éternelle dans ces mêmes eaux, qui leur ravissent une vie courte et périssable.'—Du Halde, *Description géographique, historique, chronologique, politique et physique de l'empire de la Chine et de la Tartarie chinoise*, 1735, tom. ii., pp. 73, 74. The statement in the text above that drowning babies is a special business is possibly founded on a mistranslation of ' sages-femmes '.]

the maintenance of labour were sensibly decaying. Every year the demand for servants and labourers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as to reduce the wages of labour to the most miserable and scanty subsistence of the labourer. Many would not be able to find employment even upon these hard terms, but would either starve, or be driven to seek a subsistence either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from thence extend themselves to all the superior classes, till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it, and which had escaped either the tyranny or calamity which had destroyed the rest. This perhaps is nearly the present state of Bengal, and of some other of the English settlements in the East Indies. In a fertile country which had before been much depopulated, where subsistence, consequently, should not be very difficult, and where, notwithstanding, three or four hundred thousand people die of hunger in one year, we may be assured that the funds destined for the maintenance of the labouring poor are fast decaying. The difference between the genius of the British constitution which protects and governs North America, and that of the mercantile company which oppresses and domineers in the East Indies, cannot perhaps be better illustrated than by the different state of those countries.

The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of increasing national wealth. The scanty maintenance of the labouring poor, on the other hand, is the natural symptom that things are at a stand, and their starving condition that they are going fast backwards.

In Great Britain wages are above the lowest rate,

In Great Britain the wages of labour seem, in the present times, to be evidently more than what is precisely necessary to enable the labourer to bring up a family. In order to satisfy ourselves upon this point it will not be necessary to enter into any tedious or doubtful calculation of what may be the lowest sum upon which it is possible to do this. There are many plain symptoms that the wages of labour are no-where in this country regulated by this lowest rate which is consistent with common humanity.

since (1) there is a difference between winter and summer wages,

First, in almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But on account of the extraordinary expence of fewel, the maintenance of a family is most expensive in winter. Wages, therefore, being highest when this expence is lowest, it seems evident that they are not regulated by what is necessary for this expence; but by the quantity and supposed value of the work. A labourer, it may be said indeed, ought to save part of his summer wages in order to defray his winter expence; and that through the whole year they do not exceed what is necessary to maintain his family through the whole year. A slave, however, or one absolutely dependent on us for immediate subsistence, would not be treated in this manner. His daily subsistence would be proportioned to his daily necessities.

(2) wages do not fluctuate with the price of provisions,

Secondly, the wages of labour do not in Great Britain fluctuate with the price of provisions. These vary every-where from year to year, frequently from month to month. But in many places the money price of labour remains uniformly the same sometimes for half a century together. If in these places, therefore, the labouring poor can maintain their families in dear years, they must be at their ease in times of moderate plenty, and in affluence in those of extraordinary cheapness. The high price of provisions during these ten years past has not in many parts of the kingdom been accompanied with any sensible rise in the money price of labour. It has, indeed, in some; owing probably more to the increase of the demand for labour than to that of the price of provisions.

(3) wages vary more from place to place than the price of provisions,

Thirdly, as the price of provisions varies more from year to year than the wages of labour, so, on the other hand, the wages of labour vary more from place to place than the price of provisions. The prices of bread and butcher's meat are generally the same or very nearly the same through the greater part of the united kingdom. These and most other things which are sold by retail, the way in which the labouring poor buy all things, are generally fully as cheap or cheaper in great towns than in the remoter parts of the country, for reasons which I shall have occasion to explain hereafter.[1] But the wages of labour in a great town and its neighbourhood are frequently a fourth or a fifth part, twenty or five-and-twenty per cent. higher than at a few miles distance. Eighteen pence a day may be reckoned the common price of labour in London and its neighbourhood. At a few miles distance it falls to fourteen and fifteen pence. Ten pence may be reckoned its price in Edinburgh and its neighbourhood. At a few miles distance it falls to eight pence, the usual price of common labour through the greater part of the low country of Scotland, where it varies a good deal less than in England.[1] Such a difference of prices, which it seems is not always sufficient to transport a man from one parish to another, would necessarily occasion so great a transportation of the most bulky commodities, not only from one parish to another, but from one end of the kingdom, almost from one end of the world to the other, as would soon reduce them more nearly to a level. After all that has been said of the levity and inconstancy of human nature, it appears evidently from experience that a man is of all sorts of luggage the most difficult to be transported. If the labouring poor, therefore, can maintain their families in those parts of the kingdom where the price of labour is lowest, they must be in affluence where it is highest.

---

[1] [Below, p. 114.]

and (4) frequently wages and the price of provisions vary in opposite directions, as grain is cheaper and wages are higher in England than in Scotland;

Fourthly, the variations in the price of labour not only do not correspond either in place or time with those in the price of provisions, but they are frequently quite opposite.

Grain, the food of the common people, is dearer in Scotland than in England, whence Scotland receives almost every year very large supplies. But English corn must be sold dearer in Scotland, the country to which it is brought, than in England, the country from which it comes; and in proportion to its quality it cannot be sold dearer in Scotland than the Scotch corn that comes to the same market in competition with it. The quality of grain depends chiefly upon the quantity of flour or meal which it yields at the mill, and in this respect English grain is so much superior to the Scotch, that, though often dearer in appearance, or in proportion to the measure of its bulk, it is generally cheaper in reality, or in proportion to its quality, or even to the measure of its weight. The price of labour, on the contrary, is dearer in England than in Scotland. If the labouring poor, therefore, can maintain their families in the one part of the united kingdom, they must be in affluence in the other. Oatmeal indeed supplies the common people in Scotland with the greatest and the best part of their food, which is in general much inferior to that of their neighbours of the same rank in England.[2] This difference, however, in the mode of their subsistence is not the cause, but the effect, of the difference in their wages; though, by a strange misapprehension, I have frequently heard it represented as the cause. It is not because one man keeps a coach while his neighbour walks a-foot, that the one is rich and the other poor; but because the one is rich he keeps a coach, and because the other is poor he walks a-foot.

---

[1] [The difference between England and Scotland in this respect is attributed to the English law of settlement below, p. 142.]

[2] [The inferiority of oatmeal is again insisted on below, p. 161.]

and in last century grain was dearer and wages were lower than in this;

During the course of the last century, taking one year with another, grain was dearer in both parts of the united kingdom than during that of the present. This is a matter of fact which cannot now admit of any reasonable doubt; and the proof of it is, if possible, still more decisive with regard to Scotland than with regard to England. It is in Scotland supported by the evidence of the public fiars, annual valuations made upon oath, according to the actual state of the markets, of all the different sorts of grain in every different county of Scotland. If such direct proof could require any collateral evidence to confirm it, I would observe that this has likewise been the case in France, and probably in most other parts of Europe. With regard to France there is the clearest proof.[1] But though it is certain that in both parts of the united kingdom grain was somewhat dearer in the last century than in the present, it is equally certain that labour was much cheaper. If the labouring poor, therefore, could bring up their families then, they must be much more at their ease now. In the last century, the most usual day-wages of common labour through the greater part of Scotland were sixpence in summer and five-pence in winter. Three shillings a week, the same price very nearly, still continues to be paid in some parts of the Highlands and Western Islands. Through the greater part of the low country the most usual wages of common labour are now eight-pence a day; ten-pence, sometimes a shilling about Edinburgh, in the counties which border upon England, probably on account of that neighbourhood, and in a few other places where there has lately been a considerable rise in the demand for labour, about Glasgow, Carron, Ayr-shire, &c. In England the improvements of agriculture, manufactures and commerce began much earlier than in Scotland. The demand for labour, and consequently its price, must necessarily have increased with those improvements. In the last century, accordingly, as well as in the present, the wages of labour were higher in England than in Scotland. They have risen too considerably since that time, though, on account of the greater variety of wages paid there in different places, it is more difficult to ascertain how much. In 1614, the pay of a foot soldier was the same as in the present times, eight pence a day.[2] When it was first established it would naturally be regulated by the usual wages of common labourers, the rank of people from which foot soldiers are commonly drawn. Lord Chief Justice Hales,[1] who wrote in the time of Charles II. computes the necessary expence of a labourer's family, consisting of six persons, the father and mother, two children able to do something, and two not able, at ten shillings a week, or twenty-six pounds a year. If they cannot earn this by their labour, they must make it up, he supposes, either by begging or stealing. He appears to have enquired very carefully into this subject.[2] In 1688, Mr. Gregory King, whose skill in political arithmetic is so much extolled by Doctor Davenant,[3] computed the ordinary income of labourers and out-servants to be fifteen pounds a year to a family, which he supposed to consist, one with another, of three and a half persons.[4] His calculation, therefore, though different in appearance, corresponds very nearly at bottom with that of judge Hales. Both suppose the weekly expence of such families to be about twenty pence a head. Both the pecuniary income and expence of such families have increased considerably since that time through the greater part of the kingdom; in some places more, and in some less; though perhaps scarce any where so much as some exaggerated accounts of the present wages of labour have lately represented them to the public. The price of labour, it must be observed, cannot be ascertained very accurately any where, different prices being often paid at the same place and for the same sort of labour, not only according to the different abilities of the workmen, but according to the easiness or hardness of the masters. Where wages are not regulated by law, all that we can pretend to determine is what are the most usual; and experience seems to show that law can never regulate them properly, though it has often pretended to do so.

---

[1] [Authorities are quoted below, pp. 239, 240.]

[2] [Hume, *History*, ed. of 1773, vol. vi., p. 178, quoting Rymer's *Foedera*, tom. xvi., p. 717. This was for service in Germany.]

while other necessaries and conveniencies have also become cheaper.

The real recompence of labour, the real quantity of the necessaries and conveniencies of life which it can procure to the labourer, has, during the course of the present century, increased perhaps in a still greater proportion than its money price. Not only grain has become somewhat cheaper, but many other things, from which the industrious poor derive an agreeable and wholesome variety of food, have become a great deal cheaper. Potatoes, for example, do not at present, through the greater part of the kingdom, cost half the price which they used to do thirty or forty years ago. The same thing may be said of turnips, carrots, cabbages; things which were formerly never raised but by the spade, but which are now commonly raised by the plough. All sort of garden stuff too has become cheaper. The greater part of the apples and even of the onions consumed in Great Britain were in the last century imported from Flanders. The great improvements in the coarser manufactures of both linen and woollen cloth furnish the labourers with cheaper and better cloathing; and those in the manufactures of the coarser metals, with cheaper and better instruments of trade, as well as with many agreeable and convenient pieces of houshold furniture. Soap, salt, candles, leather, and fermented liquors, have, indeed, become a good deal dearer; chiefly from the taxes which have been laid upon them. The quantity of these, however, which the labouring poor are under any necessity of consuming, is so very small, that the increase in their price does not compensate the diminution in that of so many other things. The common complaint that luxury extends itself even to the lowest ranks of the people, and that the labouring poor will not now be contented with the same food, cloathing and lodging which satisfied them in former times, may convince us that it is not the money price of labour only, but its real recompence, which has augmented.

---

[1] [Sir Matthew Hale.]

[2] See his scheme for the maintenance of the Poor, in Burn's History of the Poor-laws. [This note appears first in ed. 2. Hale's *Discourse Touching Provision for the Poor* was printed in 1683. It contains no internal evidence of the careful inquiry attributed to it above.]

[3] [Davenant, *Essay upon the probable Methods of Making a People Gainers in the Balance of Trade*, 1699, pp. 15, 16; in *Works*, ed. Whitworth, vol. ii., p. 175.]

[4] [Scheme D in Davenant, *Balance of Trade*, in *Works* Scheme B, vol. ii., p. 184. See below, p. 196, note.]

High earnings of labour are an advantage to the society.

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society?[1] The answer seems at first sight abundantly plain. Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.

Poverty does not prevent births.

Poverty, though it no doubt discourages, does not always prevent marriage. It seems even to be favourable to generation. A half-starved Highland woman frequently bears more than twenty children, while a pampered fine lady is often incapable of bearing any, and is generally exhausted by two or three. Barrenness, so frequent among women of fashion, is very rare among those of inferior station. Luxury in the fair sex, while it inflames perhaps the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the powers of generation.

---

[1] [Berkeley, *Querist*, 5th ed., 1752, qu. 2, asks 'whether a people can be called poor where the common sort are well fed, clothed and lodged'. Hume, 'On Commerce,' says: 'The greatness of a state and the happiness of its subjects, however independent they may be supposed in some respects, are commonly allowed to be inseparable with regard to commerce.' —*Political Discourses*, 1752, p. 4.]

but is unfavourable to the rearing of children,

But poverty, though it does not prevent the generation, is extremely unfavourable to the rearing of children. The tender plant is produced, but in so cold a soil, and so severe a climate, soon withers and dies. It is not uncommon, I have been frequently told, in the Highlands of Scotland for a mother who has borne twenty children not to have two alive. Several officers of great experience have assured me, that so far from recruiting their regiment, they have never been able to supply it with drums and fifes from all the soldiers children that were born in it. A greater number of fine children, however, is seldom seen any where than about a barrack of soldiers. Very few of them, it seems, arrive at the age of thirteen or fourteen. In some places one half the children born die before they are four years of age; in many places before they are seven; and in almost all places before they are nine or ten. This great mortality, however, will every where be found chiefly among the children of the common people, who cannot afford to tend them with the same care as those of better station. Though their marriages are generally more fruitful than those of people of fashion, a smaller proportion of their children arrive at maturity. In foundling hospitals, and among the children brought up by parish charities, the mortality is still greater than among those of the common people.

and so restrains multiplication,

Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. But in civilized society it is only among the inferior ranks of people that the scantiness of subsistence can set limits to the further multiplication of the human species; and it can do so in no other way than by destroying a great part of the children which their fruitful marriages produce.

while the liberal reward of labour encourages it,

The liberal reward of labour, by enabling them to provide better for their children, and consequently to bring up a greater number, naturally tends to widen and extend those limits. It deserves to be remarked too, that it necessarily does this as nearly as possible in the proportion which the demand for labour requires.[1] If this demand is continually increasing, the reward of labour must necessarily encourage in such a manner the marriage and multiplication of labourers, as may enable them to supply that continually increasing demand by a continually increasing population. If the reward[1] should at any time be less than what was requisite for this purpose, the deficiency of hands would soon raise it; and if it should at any time be more, their excessive multiplication would soon lower it to this necessary rate. The market would be so much under-stocked with labour in the one case, and so much over-stocked in the other, as would soon force back its price to that proper rate which the circumstances of the society required. It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast. It is this demand which regulates and determines the state of propagation in all the different countries of the world, in North America, in Europe, and in China; which renders it rapidly progressive in the first, slow and gradual in the second, and altogether stationary in the last.[2]

---

[1] [Cantillon, *Essai*, pt. i., ch. ix., title, ' Le nombre de laboureurs, artisans et autres qui travaillent dans un état se proportionne naturellement au besoin qu'on en a.']

as the wear and tear of the free man must be paid for just like that of the slave, though not so extravagantly.

The wear and tear[3] of a slave, it has been said, is at the expence of his master; but that of a free servant is at his own expence. The wear and tear of the latter, however, is, in reality, as much at the expence of his master as that of the former. The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, to continue the race of journeymen and servants, according as the increasing, diminishing, or stationary demand of the society may happen to require. But though the wear and tear of a free servant be equally at the expence of his master, it generally costs him much less than that of a slave. The fund destined for replacing or repairing, if I may say so, the wear and tear of the slave, is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the free man, is managed by the free man himself. The disorders which generally prevail in the œconomy of the rich, naturally introduce themselves into the management of the former: The strict frugality and parsimonious attention of the poor as naturally establish themselves in that of the latter. Under such different management, the same purpose must require very different degrees of expence to execute it. It appears, accordingly, from the experience of all ages and nations, I believe, that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston, New York, and Philadelphia, where the wages of common labour are so very high.

---

[1] [Ed. 1 reads 'If it'.]

[2] [Berkeley, *Querist*, qu. 62, asks 'whether a country inhabited by people well fed, clothed and lodged would not become every day more populous? And whether a numerous stock of people in such circumstances would not constitute a flourishing nation?']

[3] [Ed. 1 reads 'tear and wear' here and in the three other cases where the phrase is used on this page.]

High wages increase population.

The liberal reward of labour, therefore, as it is the effect of increasing wealth, so it is the cause of increasing population. To complain of it, is to lament over the necessary effect and cause of the greatest public prosperity.

The progressive state is the best for the labouring poor.

It deserves to be remarked, perhaps, that it is in the progressive state, while the society is advancing to the further acquisition, rather than when it has acquired its full complement of riches, that the condition of the labouring poor, of the great body of the people, seems to be the happiest and the most comfortable. It is hard in the stationary, and miserable in the declining state. The progressive state is in reality the cheerful and the hearty state to all the different orders of the society. The stationary is dull; the declining melancholy.

High wages encourage industry.

The liberal reward of labour, as it encourages the propagation, so it increases the industry of the common people. The wages of labour are the encouragement of industry, which, like every other human quality, improves in proportion to the encouragement it receives. A plentiful subsistence increases the bodily strength of the labourer, and the comfortable hope of bettering his condition, and of ending his days perhaps in ease and plenty, animates him to exert that strength to the utmost. Where wages are high, accordingly, we shall always find the workmen more active, diligent, and expeditious, than where they are low; in England, for example, than in Scotland; in the neighbourhood of great towns, than in remote country places. Some workmen, indeed, when they can earn in four days what will maintain them through the week, will be idle the other three. This, however, is by no means the case with the greater part.[1] Workmen, on the contrary, when they are liberally paid by the piece, are very apt to over-work themselves, and to ruin their health and constitution in a few years. A carpenter in London, and in some other places, is not supposed to last in his utmost vigour above eight years. Something of the same kind happens in many other trades, in which the workmen are paid by the piece; as they generally are in manufactures, and even in country labour, wherever wages are higher than ordinary. Almost every class of artificers is subject to some peculiar infirmity occasioned by excessive application to their peculiar species of work. Ramuzzini, an eminent Italian physician, has written a particular book concerning such diseases.[1] We do not reckon our soldiers the most industrious set of people among us. Yet when soldiers have been employed in some particular sorts of work, and liberally paid by the piece, their officers have frequently been obliged to stipulate with the undertaker, that they should not be allowed to earn above a certain sum every day, according to the rate at which they were paid. Till this stipulation was made, mutual emulation and the desire of greater gain, frequently prompted them to over-work themselves, and to hurt their health by excessive labour. Excessive application during four days of the week, is frequently the real cause of the idleness of the other three, so much and so loudly complained of. Great labour, either of mind or body, continued for several days together, is in most men naturally followed by a great desire of relaxation, which, if not restrained by force or by some strong necessity, is almost irresistible. It is the call of nature, which requires to be relieved by some indulgence, sometimes of ease only, but sometimes too of dissipation and diversion. If it is not complied with, the consequences are often dangerous, and sometimes fatal, and such as almost always, sooner or later, bring on the peculiar infirmity of the trade. If masters would always listen to the dictates of reason and humanity, they have frequently occasion rather to moderate, than to animate the application of many of their workmen. It will be found, I believe, in every sort of trade, that the man who works so moderately, as to be able to work constantly, not only preserves his health the longest, but, in the course of the year, executes the greatest quantity of work.

---

[1] [This is a more favourable view than that taken in *Lectures*, p. 257.]

The opinion that cheap years encourage idleness is erroneous.

In cheap years, it is pretended, workmen are generally more idle, and in dear ones more industrious than ordinary. A plentiful subsistence therefore, it has been concluded, relaxes, and a scanty one quickens their industry. That a little more plenty than ordinary may render some workmen idle, cannot well be doubted; but that it should have this effect upon the greater part, or that men in general should work better when they are ill fed than when they are well fed, when they are disheartened than when they are in good spirits, when they are frequently sick than when they are generally in good health, seems not very probable. Years of dearth, it is to be observed, are generally among the common people years of sickness and mortality, which cannot fail to diminish the produce of their industry.

---

[1] [*De morbis artificum diatriba*, 1700, translated into English (*A Treatise on the Diseases of Tradesmen*) by R. James, 1746.]

Wages are high in cheap years,

In years of plenty, servants frequently leave their masters, and trust their subsistence to what they can make by their own industry. But the same cheapness of provisions, by increasing the fund which is destined for the maintenance of servants, encourages masters, farmers especially, to employ a greater number. Farmers upon such occasions expect more profit from their corn by maintaining a few more labouring servants, than by selling it at a low price in the market. The demand for servants increases, while the number of those who offer to supply that demand diminishes. The price of labour, therefore, frequently rises in cheap years.

and low in dear years,

In years of scarcity, the difficulty and uncertainty of subsistence make all such people eager to return to service. But the high price of provisions, by diminishing the funds destined for the maintenance of servants, disposes masters rather to diminish than to increase the number of those they have. In dear years too, poor independent workmen frequently consume the little stocks with which they had used to supply themselves with the materials of their work, and are obliged to become journeymen for subsistence. More people want employment than can easily get it; many are willing to take it upon lower terms than ordinary, and the wages of both servants and journeymen frequently sink in dear years.

so that masters commend dear years.

Masters of all sorts, therefore, frequently make better bargains with their servants in dear than in cheap years, and find them more humble and dependent in the former than in the latter. They naturally, therefore, commend the former as more favourable to industry. Landlords and farmers, besides, two of the largest classes of masters, have another reason for being pleased with dear years. The rents of the one and the profits of the other depend very much upon the price of provisions. Nothing can be more absurd, however, than to imagine that men in general should work less when they work for themselves, than when they work for other people. A poor independent workman will generally be more industrious than even a journeyman who works by the piece. The one enjoys the whole produce of his own industry; the other shares it with his master. The one, in his separate independent state, is less liable to the temptations of bad company, which in large manufactories so frequently ruin the morals of the other. The superiority of the independent workman over those servants who are hired by the month or by the year, and whose wages and maintenance are the same whether they do much or do little, is likely to be still greater. Cheap years tend to increase the proportion of independent workmen to journeymen and servants of all kinds, and dear years to diminish it.

Messance shows that in some French manufactures more is produced in cheap years.

A French author of great knowledge and ingenuity, Mr. Messance, receiver of the tailles[1] in the election of St. Etienne, endeavours to show that the poor do more work in cheap than in dear years, by comparing the quantity and value of the goods made upon those different occasions in three different manufactures; one of coarse woollens carried on at Elbeuf; one of linen, and another of silk, both which extend through the whole generality of Rouen.[2] It appears from his account, which is copied from the registers of the public offices, that the quantity and value of the goods made in all those three manufactures has generally been greater in cheap than in dear years; and that it has always been greatest in the cheapest, and least in the dearest years. All the three seem to be stationary manufactures, or which, though their produce may vary somewhat from year to year, are upon the whole neither going backwards nor forwards.

No connexion is visible between dearness or cheapness of the years and the variations in Scotch linen and Yorkshire woollen manufactures.

The manufacture of linen in Scotland, and that of coarse woollens in the west riding of Yorkshire, are growing manufactures, of which the produce is generally, though with some variations, increasing both in quantity and value. Upon examining, however, the accounts which have been published of their annual produce, I have not been able to observe that its variations have had any sensible connection with the dearness or cheapness of the seasons. In 1740, a year of great scarcity, both manufactures, indeed, appear to have declined very considerably. But in 1756, another year of great scarcity, the Scotch manufacture made more than ordinary advances. The Yorkshire manufacture, indeed, declined, and its produce did not rise to what it had been in 1755 till 1766, after the repeal of the American stamp act. In that and the following year it greatly exceeded what it had ever been before, and it has continued to advance[3] ever since.

The produce depends on other circumstances, and more of it escapes being reckoned in cheap years.

The produce of all great manufactures for distant sale must necessarily depend, not so much upon the dearness or cheapness of the seasons in the countries where they are carried on, as upon the circumstances which affect the demand in the countries where they are consumed; upon peace or war, upon the prosperity or declension of other rival manufactures, and upon the good or bad humour of their principal customers. A great part of the extraordinary work, besides, which is probably done in cheap years, never enters the public registers of manufactures. The men servants who leave their masters become independent labourers. The women return to their parents, and commonly spin in order to make cloaths for themselves and their families. Even the independent workmen do not always work for public sale, but are employed by some of their neighbours in manufactures for family use. The produce of their labour, therefore, frequently makes no figure in those public registers of which the records are sometimes published with so much parade, and from which our merchants and manufacturers would often vainly pretend to announce the prosperity or declension of the greatest empires.

---

[1] [Misprinted 'taillies' in eds. 3-5.]

[2] [*Recherches sur la population des généralités d'Auvergne, de Lyon, de Rouen, et de quelques provinces et villes du royaume, avec des réflexions sur la valeur du bled tant en France qu'en Angleterre, depuis* 1674 *jusqu'en* 1764, par M. Messance, receveur des tailles de l'élection de Saint-Etienne, 1766, pp. 287-292, 305-308.]

[3] [Ed. 1 reads 'continued to do so'.]

There is, however, a connexion between the price of labour and that of provisions.

Though the variations in the price of labour, not only do not always correspond with those in the price of provisions, but are frequently quite opposite, we must not, upon this account, imagine that the price of provisions has no influence upon that of labour. The money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessaries and conveniencies of life. The demand for labour, according as it happens to be increasing, stationary, or declining, or to require an increasing, stationary, or declining population, determines the quantity of the necessaries and conveniencies of life which must be given to the labourer; and the money price of labour is determined by what is requisite for purchasing this quantity. Though the money price of labour, therefore, is sometimes high where the price of provisions is low, it would be still higher, the demand continuing the same, if the price of provisions was high.

It is because the demand for labour increases in years of sudden and extraordinary plenty, and diminishes in those of sudden and extraordinary scarcity, that the money price of labour sometimes rises in the one, and sinks in the other.

In years of plenty there is a greater demand for labour,

In a year of sudden and extraordinary plenty, there are funds in the hands of many of the employers of industry, sufficient to maintain and employ a greater number of industrious people than had been employed the year before; and this extraordinary number cannot always be had. Those masters, therefore, who want more workmen, bid against one another, in order to get them, which sometimes raises both the real and the money price of their labour.

and in years of scarcity a less demand,

The contrary of this happens in a year of sudden and extraordinary scarcity. The funds destined for employing industry are less than they had been the year before. A considerable number of people are thrown out of employment, who bid against one another, in order to get it, which sometimes lowers both the real and the money price of labour. In 1740, a year of extraordinary scarcity, many people were willing to work for bare subsistence. In the succeeding years of plenty, it was more difficult to get labourers and servants.

and the effect of variations in the price of provisions is thus counter-balanced.

The scarcity of a dear year, by diminishing the demand for labour, tends to lower its price, as the high price of provisions tends to raise it. The plenty of a cheap year, on the contrary, by increasing the demand, tends to raise the price of labour, as the cheapness of provisions tends to lower it. In the ordinary variations of the price of provisions, those two opposite causes seem to counterbalance one another; which is probably in part the reason why the wages of labour are every-where so much more steady and permanent than the price of provisions.

Increase of wages increases prices, but the cause of increased wages tends to diminish prices.

The increase in the wages of labour necessarily increases the price of many commodities, by increasing that part of it which resolves itself into wages, and so far tends to diminish their consumption both at home and abroad. The same cause, however, which raises the wages of labour, the increase of stock, tends to increase its productive powers, and to make a smaller quantity of labour produce a greater quantity of work. The owner of the stock which employs a great number of labourers, necessarily endeavours, for his own advantage, to make such a proper division and distribution of employment, that they may be enabled to produce the greatest quantity of work possible. For the same reason, he endeavours to supply them with the best machinery which either he or they can think of. What takes place among the labourers in a particular workhouse, takes place, for the same reason, among those of a great society. The greater their number, the more they naturally divide themselves into different classes and subdivisions of employment. More heads are occupied in inventing the most proper machinery for executing the work of each, and it is, therefore, more likely to be invented. There are many commodities, therefore, which, in consequence of these improvements, come to be produced by so much less labour than before, that the increase of its price is more than compensated by the diminution of its quantity.[1]

---

[1] [Ed. 1 reads 'that the increase of its price does not compensate the diminution of its quantity'. The meaning is that the increase in the amount paid for a given quantity of labour is more than counterbalanced by the diminution in the quantity required. The statement is repeated below, p. 242.]

CHAPTER IX

OF THE PROFITS OF STOCK

THE rise and fall in the profits of stock depend upon the same causes with the rise and fall in the wages of labour, the increasing or declining state of the wealth of the society; but those causes affect the one and the other very differently.

Profits depend on increase and decrease of wealth,

The increase of stock, which raises wages, tends to lower profit. When the stocks of many rich merchants are turned into the same trade, their mutual competition naturally tends to lower its profit; and when there is a like increase of stock in all the different trades carried on in the same society, the same competition must produce the same effect in them all.[1]

falling with the increase of wealth.

It is not easy, it has already been observed, to ascertain what are the average wages of labour even in a particular place, and at a particular time. We can, even in this case, seldom determine more than what are the most usual wages. But even this can seldom be done with regard to the profits of stock. Profit is so very fluctuating, that the person who carries on a particular trade cannot always tell you himself what is the average of his annual profit. It is affected, not only by every variation of price in the commodities which he deals in, but by the good or bad fortune both of his rivals and of his customers, and by a thousand other accidents to which goods when carried either by sea or by land, or even when stored in a warehouse, are liable. It varies, therefore, not only from year to year, but from day to day, and almost from hour to hour. To ascertain what is the average profit of all the different trades carried on in a great kingdom, must be much more difficult; and to judge of what it may have been formerly, or in remote periods of time, with any degree of precision, must be altogether impossible.

The rate is difficult to ascertain,

---

[1] [This statement is somewhat amplified below, p. 335, where the increasing intensity of the competition between the owners of capital is attributed to the gradually increasing difficulty of finding 'a profitable method of employing any new capital'.]

but may be inferred from the rate of interest,

But though it may be impossible to determine with any degree of precision, what are or were the average profits of stock, either in the present, or in ancient times, some notion may be formed of them from the interest of money.[1] It may be laid down as a maxim, that wherever a great deal can be made by the use of money, a great deal will commonly be given for the use of it; and that wherever little can be made by it, less will commonly be given for it.[2] According, therefore, as the usual market rate of interest varies in any country, we may be assured that the ordinary profits of stock must vary with it, must sink as it sinks, and rise as it rises. The progress of interest, therefore, may lead us to form some notion of the progress of profit.

which has fallen in England,

By the 37th of Henry VIII.[3] all interest above ten per cent. was declared unlawful. More, it seems, had sometimes been taken before that. In the reign of Edward VI. religious zeal prohibited all interest.[4] This prohibition, however, like all others of the same kind, is said to have produced no effect, and probably rather increased than diminished the evil of usury. The statute of Henry VIII. was revived by the 13th of Elizabeth, cap. 8.[5] and ten per cent. continued to be the legal rate of interest till the 21st of James I.[6] when it was restricted to eight per cent. It was reduced to six per cent. soon after the restoration,[7] and by the 12th of Queen Anne,[1] to five per cent. All these different statutory regulations seem to have been made with great propriety. They seem to have followed and not to have gone before the market rate of interest, or the rate at which people of good credit usually borrowed. Since the time of Queen Anne, five per cent. seems to have been rather above than below the market rate. Before the late war,[2] the government borrowed at three per cent.;[3] and people of good credit in the capital, and in many other parts of the kingdom, at three and a half, four, and four and a half per cent.

---

[1] [Defined above, p. 54.]

[2] [But that interest will not always bear the same proportion to profit is recognised below, pp. 98, 99.]

[3] [C. 9, 'an act against usury'. On the ground that previous Acts and laws had been obscure it repeals them all, and prohibits the repurchase of goods sold within three months before, and the obtaining by any device more than 10 per cent. per annum for forbearing payment of money. Its real effect was to legalise interest up to 10 per cent.]

[4] [5 & 6 Ed. VI., c. 20, forbade all interest, and repealed 37 Hen. VIII., c. 9, alleging in its preamble that that Act was not intended to allow usury, as 'divers persons blinded with inordinate love of themselves' imagined, but was intended against all usury, 'and yet nevertheless the same was by the said act permitted for the avoiding of a more ill and inconvenience that before that time was used'.]

[5] [On the ground that 5 & 6 Ed. VI., c. 20, 'hath not done so much good as was hoped it should but rather the said vice of usury and especially by way of sale of wares and shifts of interest hath much more exceedingly abounded to the utter undoing of many gentlemen, merchants, occupiers and other'.]

[6] [C. 17, which alleges that the fall of prices which had taken place made the maintenance of 'so high a rate' as 10 per cent. prejudicial to agriculture and commerce, and therefore reduces the maximum to 8 per cent. for the future. It concludes with the very empty proviso that 'no words in this law contained shall be construed or expounded to allow the practice of usury in point of religion or conscience'.]

[7] [It had already been so reduced by a Commonwealth Act of Parliament, passed in August, 1651, which adopts the reasons given by 21 Jac. I., c. 17. But of course this, like other Acts of the Commonwealth, had to be ignored by the Restoration Parliament, which, by 12 Car. II., c. 13, re-made the reduction on the grounds that the abatement of interest from 10 per cent. 'in former times hath been found by notable experience beneficial to the advancement of trade and improvement of lands by good husbandry, with many other considerable advantages to this nation, especially the reducing of it to a nearer proportion with foreign states with whom we traffic,' and because 'in fresh memory the like fall from eight to six in the hundred by a late constant practice hath found the like success to the general contentment of this nation as is visible by several improvements,' while 'it is the endeavour of some at present to reduce it back again in practice to the allowance of the statute still in

while wealth has been increasing.

Since the time of Henry VIII. the wealth and revenue of the country have been continually advancing, and, in the course of their progress, their pace seems rather to have been gradually accelerated than retarded. They seem, not only to have been going on, but to have been going on faster and faster.[4] The wages of labour have been continually increasing during the same period, and in the greater part of the different branches of trade and manufactures the profits of stock have been diminishing.

Profits are lower in towns, where there is much stock, than in the country, where there is little.

It generally requires a greater stock to carry on any sort of trade in a great town than in a country village. The great stocks employed in every branch of trade, and the number of rich competitors, generally reduce the rate of profit in the former below what it is in the latter. But the wages of labour are generally higher in a great town than in a country village. In a thriving town the people who have great stocks to employ, frequently cannot get the number of workmen they want, and therefore bid against one another in order to get as many as they can, which raises the wages of labour, and lowers the profits of stock. In the remote parts of the country there is frequently not stock sufficient to employ all the people, who therefore bid against one another in order to get employment, which lowers the wages of labour, and raises the profits of stock.

---

force to eight in the hundred to the great discouragement of ingenuity and industry in the husbandry trade and commerce of this nation.']

[1] [By 12 Ann. st. 2, c. 16, which speaks of the benefit to trade and agriculture resulting from the earlier reductions, of the burdens which the war had laid on landowners, and of the decay of foreign trade owing to the high interest and profit of money at home, which things made it 'absolutely necessary to reduce the high rate of interest' to a nearer proportion with the interest allowed in foreign states.]

[2] [That of 1756-1763.]

[3] [Holders of 4 per cent. annuities who declined to accept in exchange new stock bearing interest for some years at 3½ and afterwards at 3 per cent. were paid off by means of money raised by a 3 per cent. loan in 1750. See Sinclair, *History of the Public Revenue*, 1785, pt. ii., p. 113. From that time till the beginning of 1755 the 3 per cents. were usually above par. Then they gradually sank to 63 in January, 1762; rose to 96 in March, 1763; fell again to 80 in October, 1764; after that they were seldom above 90 before the publication of the *Wealth of Nations* (Sinclair, *op. cit.*, pt. iii., 1790, Appendix iii.). The policy of a legal regulation of interest is discussed below, pp. 338, 339.]

[4] [Below, pp. 326, 327.]

Interest is higher in Scotland, a poor country, than in England.

In Scotland, though the legal rate of interest is the same as in England, the market rate is rather higher. People of the best credit there seldom borrow under five per cent. Even private bankers in Edinburgh give four per cent. upon their promissory notes, of which payment either in whole or in part may be demanded at pleasure. Private bankers in London give no interest for the money which is deposited with them. There are few trades which cannot be carried on with a smaller stock in Scotland than in England. The common rate of profit, therefore, must be somewhat greater. The wages of labour, it has already been observed, are lower in Scotland than in England.[1] The country too is not only much poorer, but the steps by which it advances to a better condition, for it is evidently advancing, seem to be much slower and more tardy.[2]

So too in France, a country probably less rich than England,

The legal rate of interest in France has not, during the course of the present century, been always regulated by the market rate.[3] In 1720 interest was reduced from the twentieth to the fiftieth penny, or from five to two per cent. In 1724 it was raised to the thirtieth penny, or to $3\frac{1}{3}$ per cent. In 1725 it was again raised to the twentieth penny, or to five per cent. In 1766, during the administration of Mr. Laverdy, it was reduced to the twenty-fifth penny, or to four per cent. The Abbe Terray raised it afterwards to the old rate of five per cent. The supposed purpose of many of those violent reductions of interest was to prepare the way for reducing that of the public debts; a purpose which has sometimes been executed. France is perhaps in the present times not so rich a country as England; and though the legal rate of interest has in France frequently been lower than in England, the market rate has generally been higher; for there, as in other countries, they have several very safe and easy methods of evading the law.[4] The profits of trade, I have been assured by British merchants who had traded in both countries, are higher in France than in England; and it is no doubt upon this account that many British subjects chuse rather to employ their capitals in a country where trade is in disgrace, than in one where it is highly respected. The wages of labour are lower in France than in England. When you go from Scotland to England, the difference which you may remark between the dress and countenance of the common people in the one country and in the other, sufficiently indicates the difference in their condition. The contrast is still greater when you return from France. France, though no doubt a richer country than Scotland, seems not to be going forward so fast. It is a common and even a popular opinion in the country, that it is going backwards; an opinion which, I apprehend, is ill-founded even with regard to France, but which nobody can possibly entertain with regard to Scotland, who sees the country now, and who saw it twenty or thirty years ago.

---

[1] [Above, p. 78.]

[2] [Below, p. 190.]

[3] See Denisart, Article Taux des Interets, tom. iii. p. 18. [J. B. Denisart, *Collection de décisions nouvelles et de notions relatives à la jurisprudence actuelle*, 7th ed., 1771, *s.v.* Intérêt, subdivision Taux des Intérêts. This does not go so far as the reduction of 1766. The note appears first in ed. 2.]

[4] [Below, p. 339.]

but lower in Holland, which is richer than England.

The province of Holland, on the other hand, in proportion to the extent of its territory and the number of its people, is a richer country than England. The government there borrow at two per cent., and private people of good credit at three. The wages of labour are said to be higher in Holland than in England, and the Dutch, it is well known, trade upon lower profits than any people in Europe. The trade of Holland, it has been pretended by some people, is decaying, and it may perhaps be true that some particular branches of it are so. But these symptoms seem to indicate sufficiently that there is no general decay. When profit diminishes, merchants are very apt to complain that trade decays; though the diminution of profit is the natural effect of its prosperity, or of a greater stock being employed in it than before. During the late war the Dutch gained the whole carrying trade of France, of which they still retain a very large share. The great property which they possess both in the French and English funds, about forty millions, it is said, in the latter (in which I suspect, however, there is a considerable exaggeration);[1] the great sums which they lend to private people in countries where the rate of interest is higher than in their own, are circumstances which no doubt demonstrate the redundancy of their stock, or that it has increased beyond what they can employ with tolerable profit in the proper business of their own country: but they do not demonstrate that that business has decreased. As the capital of a private man, though acquired by a particular trade, may increase beyond what he can employ in it, and yet that trade continue to increase too; so may likewise the capital of a great nation.

---

[1] [Postlethwayt, *Dictionary of Commerce*, 2nd ed., 1757, vol. i., p. 877, *s.v.* Funds, says that the amount of British funds held by foreigners has been estimated by some at one-fifth and by others at one-fourth of the whole debt. But Magens, *Universal Merchant* (ed. Horsley), 1753, p. 13, thought it 'more than probable that foreigners are not concerned in anything like one-fourth'. He had been informed 'that most of the money which the Dutch have here is in Bank, East India and South Sea stocks, and that their interest in them might amount to one-third of the whole'. Fairman, *Account of the Public Funds*, 7th ed., 1824, p. 229, quotes 'an account drawn up in the year 1762, showing how much of the several funds transferable at the Bank of England then stood in the names of foreigners,' which is also in Sinclair, *History of the Public Revenue*, pt. iii., 1790, p. 366. From this it appears that foreigners held £4,627,858 of Bank stock and £10,328,537 in the other funds, which did not include South Sea and East India stock. Fairman had reason to believe that the South Sea holding amounted to £2,500,000 and the East Indian to more than £500,000, which would make in all about £18,000,000. In 1806, he says, the total claiming exemption from income tax (foreigners were exempt) was £18,500,000, but this did not include Bank stock.]

In the peculiar case of new colonies high wages and high profits go together, but profits gradually diminish.

In our North American and West Indian colonies, not only the wages of labour, but the interest of money, and consequently the profits of stock, are higher than in England. In the different colonies both the legal and the market rate of interest run from six to eight per cent. High wages of labour and high profits of stock, however, are things, perhaps, which scarce ever go together, except in the peculiar circumstances of new colonies. A new colony must always for some time be more under-stocked in proportion to the extent of its territory, and more under-peopled in proportion to the extent of its stock, than the greater part of other countries. They have more land than they have stock to cultivate. What they have, therefore, is applied to the cultivation only of what is most fertile and most favourably situated, the land[1] near the sea shore, and along the banks of navigable rivers. Such land too is frequently purchased at a price below the value even of its natural produce. Stock employed in the purchase and improvement of such lands must yield a very large profit, and consequently afford to pay a very large interest. Its rapid accumulation in so profitable an employment enables the planter to increase the number of his hands faster than he can find them in a new settlement. Those whom he can find, therefore, are very liberally rewarded. As the colony increases, the profits of stock gradually diminish. When the most fertile and best situated lands have been all occupied, less profit can be made by the cultivation of what is inferior both in soil and situation, and less interest can be afforded for the stock which is so employed. In the greater part of our colonies, accordingly, both the legal and the market rate of interest have been considerably reduced during the course of the present century. As riches, improvement, and population have increased, interest has declined. The wages of labour do not sink with the profits of stock. The demand for labour increases with the increase of stock whatever be its profits; and after these are diminished, stock may not only continue to increase, but to increase much faster than before. It is with industrious nations who are advancing in the acquisition of riches, as with industrious individuals. A great stock, though with small profits, generally increases faster than a small stock with great profits. Money, says the proverb, makes money. When you have got a little, it is often easy to get more. The great difficulty is to get that little. The connection between the increase of stock and that of industry, or of the demand for useful labour, has partly been explained already,[1] but will be explained more fully hereafter[2] in treating of the accumulation of stock.

---

[1] [Eds. 1-3 read 'lands'.]

New territories and trades may raise profits even in a country advancing in riches.

The acquisition of new territory, or of new branches of trade, may sometimes raise the profits of stock, and with them the interest of money, even in a country which is fast advancing in the acquisition of riches. The stock of the country not being sufficient for the whole accession of business, which such acquisitions present to the different people among whom it is divided, is applied to those particular branches only which afford the greatest profit. Part of what had before been employed in other trades, is necessarily withdrawn from them, and turned into some of the new and more profitable ones. In all those old trades, therefore, the competition comes to be less than before. The market comes to be less fully supplied with many different sorts of goods. Their price necessarily rises more or less, and yields a greater profit to those who deal in them, who can, therefore, afford to borrow at a higher interest. For some time after the conclusion of the late war, not only private people of the best credit, but some of the greatest companies in London, commonly borrowed at five per cent. who before that had not been used to pay more than four, and four and a half per cent. The great accession both of territory and trade, by our acquisitions in North America and the West Indies, will sufficiently account for this, without supposing any diminution in the capital stock of the society. So great an accession of new business to be carried on by the old stock, must necessarily have diminished the quantity employed in a great number of particular branches, in which the competition being less, the profits must have been greater. I shall hereafter[3] have occasion to mention the reasons which dispose me to believe that the capital stock of Great Britain was not diminished even by the enormous expence of the late war.

Diminution of capital stock raises profits.

The diminution of the capital stock of the society, or of the funds destined for the maintenance of industry, however, as it lowers the wages of labour, so it raises the profits of stock, and consequently the interest of money. By the wages of labour being lowered, the owners of what stock remains in the society can bring their goods at less expence to market than before, and less stock being employed in supplying the market than before, they can sell them dearer.[4] Their goods cost them less, and they get more for them. Their profits, therefore, being augmented at both ends, can well afford a large interest. The great fortunes so suddenly and so easily acquired in Bengal and the other British settlements in the East Indies, may satisfy us that, as the wages of labour are very low, so the profits of stock are very high in those ruined countries. The interest of money is proportionably so. In Bengal, money is frequently lent to the farmers at forty, fifty, and sixty per cent. and the succeeding crop is mortgaged for the payment. As the profits which can afford such an interest must eat up almost the whole rent of the landlord, so such enormous usury must in its turn eat up the greater part of those profits. Before the fall of the Roman republic, a usury of the same kind seems to have been common in the provinces, under the ruinous administration of their proconsuls. The virtuous Brutus lent money in Cyprus at eight-and-forty[1] per cent. as we learn from the letters of Cicero.[2]

---

[1] [Above, pp. 66-70.]

[2] [Below, pp. 313-331.]

[3] [Below, pp. 327, 328; vol. ii., p. 414.]

[4] [Eds. 1 and 2 read 'cheaper'.]

In a country as rich as it possibly could be, profits as well as wages would be very low,

In a country which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries, allowed it to acquire; which could, therefore, advance no further, and which was not going backwards, both the wages of labour and the profits of stock would probably be very low. In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers, and, the country being already fully peopled, that number could never be augmented. In a country fully stocked in proportion to all the business it had to transact, as great a quantity of stock would be employed in every particular branch as the nature and extent of the trade would admit. The competition, therefore, would every-where be as great, and consequently the ordinary profit as low as possible.

but there has never yet been any such country.

But perhaps no country has ever yet arrived at this degree of opulence. China seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of. A country which neglects or despises foreign commerce, and which admits the vessels of foreign nations into one or two of its ports only, cannot transact the same quantity of business which it might do with different laws and institutions. In a country too, where, though the rich or the owners of large capitals enjoy a good deal of security, the poor or the owners of small capitals enjoy scarce any, but are liable, under the pretence of justice, to be pillaged and plundered at any time by the inferior mandarines, the quantity of stock employed in all the different branches of business transacted within it, can never be equal to what the nature and extent of that business might admit. In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make very large profits. Twelve per cent. accordingly is said to be the common interest of money in China, and the ordinary profits of stock must be sufficient to afford this large interest.

---

[1] [Ed. 1 reads 'five and forty,' 8 having probably been misread as 5.

[2] [*Ad Atticum*, VI., i., 5, 6. Cicero had arranged that a six-year-old debt should be repaid with interest at the rate of 12 per cent. per annum, the principal being increased by that amount for each of the six years. This would have very nearly doubled the principal, but Brutus, through his agent, kept asking for 48 per cent., which would have multiplied it by more than fifteen. However, Cicero asserted that the 12 per cent. would have satisfied the cruellest usurers.]

Interest is raised by defective enforcement of contracts,

A defect in the law may sometimes raise the rate of interest considerably above what the condition of the country, as to wealth or poverty, would require. When the law does not enforce the performance of contracts, it puts all borrowers nearly upon the same footing with bankrupts or people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest which is usually required from bankrupts. Among the barbarous nations who over-run the western provinces of the Roman empire, the performance of contracts was left for many ages to the faith of the contracting parties.[1] The courts of justice of their kings seldom intermeddled in it. The high rate of interest which took place in those ancient times may perhaps be partly accounted for from this cause.

and by prohibition.

When the law prohibits interest altogether, it does not prevent it. Many people must borrow, and nobody will lend without such a consideration for the use of their money as is suitable, not only to what can be made by the use of it, but to the difficulty and danger of evading the law. The high rate of interest among all Mahometan nations is accounted for by Mr. Montesquieu, not from their poverty, but partly from this,[2] and partly from the difficulty of recovering the money.[3]

The lowest rate of profit must be

The lowest ordinary rate of profit must always be something more than what is sufficient to compensate the occasional losses to which more than enough to compensate losses,

---

[1] [*Lectures*, pp. 130-134.]

[2] [*I.e.*, the danger of evading the law.]

[3] [*Esprit des lois*, liv. xxii., ch. 19, 'L'usure augmente dans les pays mahométans à proportion de la sévérité de la défense : le prêteur s'indemnise du péril de la contravention. Dans ces pays d'Orient, la plupart des hommes n'ont rien d'assuré ; il n'y a presque point de rapport entre la possession actuelle d'une somme et l'espérance de la ravoir après l'avoir prêtée : l'usure y augmente donc à proportion du péril de l'insolvabilité.']

every employment of stock is exposed. It is this surplus only which is neat or clear profit. What is called gross profit comprehends frequently, not only this surplus, but what is retained for compensating such extraordinary losses. The interest which the borrower can afford to pay is in proportion to the clear profit only.

and so must the lowest rate of interest.

The lowest ordinary rate of interest must, in the same manner, be something more than sufficient to compensate the occasional losses to which lending, even with tolerable prudence, is exposed. Were it not more, charity or friendship could be the only motives for lending.

In a country as rich as it possibly could be interest would be so low that only the wealthiest people could live on it.

In a country which had acquired its full complement of riches, where in every particular branch of business there was the greatest quantity of stock that could be employed in it, as the ordinary rate of clear profit would be very small, so the usual market rate of interest which could be afforded out of it, would be so low as to render it impossible for any but the very wealthiest people to live upon the interest of their money. All people of small or middling fortunes would be obliged to superintend themselves the employment of their own stocks. It would be necessary that almost every man should be a man of business, or engage in some sort of trade. The province of Holland seems to be approaching near to this state. It is there unfashionable not to be a man of business.[1] Necessity makes it usual for almost every man to be so, and custom every where regulates fashion. As it is ridiculous not to dress, so is it, in some measure, not to be employed, like other people. As a man of a civil profession seems awkward in a camp or a garrison, and is even in some danger of being despised there, so does an idle man among men of business.

The highest rate of profit would eat up all rent and leave only wages.

The highest ordinary rate of profit may be such as, in the price of the greater part of commodities, eats up the whole of what should go to the rent of the land, and leaves only what is sufficient to pay the labour of preparing and bringing them to market, according to the lowest rate at which labour can any-where be paid, the bare subsistence of the labourer. The workman must always have been fed in some way or other while he was about the work; but the landlord may not always have been paid. The profits of the trade which the servants of the East India Company carry on in Bengal may not perhaps be very far from this rate.[2]

The proportion of interest to profit

The proportion which the usual market rate of interest ought to bear to the ordinary rate of clear profit, necessarily varies as profit rises or falls. Double interest is in Great Britain reckoned, what the merchants call, a good, moderate, reasonable profit; terms which I apprehend mean no more than a common and usual profit. In a country where the ordinary rate of clear profit is eight or ten per cent., it may be reasonable that one half of it should go to interest, wherever business is carried on with borrowed money. The stock is at the risk of the borrower, who, as it were, insures it to the lender; and four or five per cent. may, in the greater part of trades, be both a sufficient profit upon the risk of this insurance, and a sufficient recompence for the trouble of employing the stock. But the proportion between interest and clear profit might not be the same in countries where the ordinary rate of profit was either a good deal lower, or a good deal higher. If it were a good deal lower, one half of it perhaps could not be afforded for interest; and more might be afforded if it were a good deal higher.

---

[1] [Joshua Gee, *Trade and Navigation of Great Britain Considered*, 1729, p. 128, notices the fact of the Dutch being all engaged in trade and ascribes it to the deficiency of valuable land.]

[2] [See below, vol. ii., pp. 138, 139.]

rises and falls with the rate of profit.

In countries which are fast advancing to riches, the low rate of profit may, in the price of many commodities, compensate the high wages of labour, and enable those countries to sell as cheap as their less thriving neighbours, among whom the wages of labour may be lower.

Countries with low profits can sell as cheap as those with low wages;

In reality high profits tend much more to raise the price of work than high wages. If in the linen manufacture, for example, the wages of the different working people, the flax-dressers, the spinners, the weavers, &c. should, all of them, be advanced two pence a day; it would be necessary to heighten the price of a piece of linen only by a number of two pences equal to the number of people that had been employed about it, multiplied by the number of days during which they had been so employed. That part of the price of the commodity which resolved itself into wages would, through all the different stages of the manufacture, rise only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those working people should be raised five per cent. that part of the price of the commodity which resolved itself into profit, would, through all the different stages of the manufacture, rise in geometrical proportion to this rise of profit. The employer of the flax-dressers would in selling his flax require an additional five per cent. upon the whole value of the materials and wages which he advanced to his workmen. The employer of the spinners would require an additional five per cent. both upon the advanced price of the flax and upon the wages of the spinners. And the employer of the weavers would require a like five per cent. both upon the advanced price of the linen yarn and upon the wages of the weavers. In raising the price of commodities the rise of

and in reality high profits tend to raise prices more than high wages.

wages operates in the same manner as simple interest does in the accumulation of debt. The rise of profit operates like compound interest.[1] Our merchants and master-manufacturers complain much of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods both at home and abroad. They say nothing concerning the bad effects of high profits. They are silent with regard to the pernicious effects of their own gains. They complain only of those of other people.[2]

---

[1] [According to the view of the subject here set forth, if the three employers each spend £100 in wages and materials, and profits are at first 5 per cent. and then rise to 10 per cent., the finished commodity must rise from £331 0s. 3d. to £364 2s., while if, on the other hand, the wages rise from £100 to £105, the commodity will only rise to £347 11s. 3d. It is assumed either that profits mean profits on turn-over and not on capital per annum, or else that the employers each have their capital turned over once a year. But even when one or other of these assumptions is granted, it is clear that the 'simple interest' may easily be greater than the 'compound'. In the examples just given we doubled profits, but only added one-twentieth to wages. If we double wages and leave profits at 5 per cent., the commodity should rise from £331 0s. 3d. to £662 0s. 6d.]

[2] [This paragraph is not in ed. 1; the epigram at the end, however, did not make its appearance here for the first time in ed. 2, since it occurs in a slightly less polished form in vol. ii., p. 100.]

CHAPTER X

OF WAGES AND PROFIT IN THE DIFFERENT EMPLOYMENTS OF LABOUR AND STOCK[1]

Advantages and disadvantages tend to equality where there is perfect liberty.

THE whole of the advantages and disadvantages of the different employments of labour and stock must, in the same neighbourhood, be either perfectly equal or continually tending to equality. If in the same neighbourhood, there was any employment evidently either[2] more or less advantageous than the rest, so many people would crowd into it in the one case, and so many would desert it in the other, that its advantages would soon return to the level of other employments. This at least would be the case in a society where things were left to follow their natural course, where there was perfect liberty,[3] and where every man was perfectly free both to chuse what occupation he thought proper, and to change it as often as he thought proper. Every man's interest would prompt him to seek the advantageous, and to shun the disadvantageous employment.

Actual differences of pecuniary wages and profits are due partly to counterbalancing circumstances and partly to want of perfect liberty.

Pecuniary wages and profit, indeed, are every-where in Europe extremely different according to the different employments of labour and stock. But this difference arises partly from certain circumstances in the employments themselves, which, either really, or at least in the imaginations of men, make up for a small pecuniary gain in some, and counter-balance a great one in others; and partly from the policy of Europe, which no-where leaves things at perfect liberty.

The particular consideration of those circumstances and of that policy will divide this chapter into two parts.

---

[1] [The general design of this chapter, as well as many of its details, was doubtless suggested by Cantillon, *Essai*, pt. 1, chaps. vii. and viii. The first of these chapters is headed: 'Le travail d'un laboureur vaut moins que celui d'un artisan,' and the second: 'Les artisans gagnent les uns plus les autres moins selon les cas et les circonstances différentes.' The second ends thus: 'Par ces inductions et cent autres qu'on pourrait tirer de l'expérience ordinaire, on peut voir facilement que la différence de prix qu'on paie pour le travail journalier est fondée sur des raisons naturelles et sensibles.']

[2] [Ed. 1 reads 'either evidently'.]

[3] [Above pp. 58, 64.]

PART I

Inequalities arising from the Nature of the Employments themselves[1]

There are five counter-balancing circumstances:

THE five following are the principal circumstances which, so far as I have been able to observe, make up for a small pecuniary gain in some employments, and counter-balance a great one in others: first, the agreeableness or disagreeableness of the employments themselves; secondly, the easiness and cheapness, or the difficulty and expence of learning them; thirdly, the constancy or inconstancy of employment in them; fourthly, the small or great trust which must be reposed in those who exercise them; and fifthly, the probability or improbability of success in them.

(1) Wages vary with the agreeableness of the employment.

First, The wages of labour vary with the ease or hardship, the cleanliness or dirtiness, the honourableness or dishonourableness of the employment. Thus in most places, take the year round, a journeyman taylor earns less than a journeyman weaver. His work is much easier. A journeyman weaver earns less than a journeyman smith. His work is not always easier, but it is much cleanlier. A journeyman blacksmith, though an artificer, seldom earns so much in twelve hours as a collier, who is only a labourer, does in eight. His work is not quite so dirty, is less dangerous, and is carried on in day-light, and above ground. Honour makes a great part of the reward of all honourable professions. In point of pecuniary gain, all things considered, they are generally under-recompensed, as I shall endeavour to show by and by.[2] Disgrace has the contrary effect. The trade of a butcher is a brutal and an odious business; but it is in most places more profitable than the greater part of common trades. The most detestable of all employments, that of public executioner, is, in proportion to the quantity of work done, better paid than any common trade whatever.

Some very agreeable employments are exceedingly ill paid.

Hunting and fishing, the most important employments of mankind in the rude state of society, become in its advanced state their most agreeable amusements, and they pursue for pleasure what they once followed from necessity. In the advanced state of society, therefore, they are all very poor people who follow as a trade, what other people pursue as a pastime. Fishermen have been so since the time of[1] Theocritus. A poacher is every-where a very poor man in Great Britain. In countries where the rigour of the law suffers no poachers, the licensed hunter is not in a much better condition. The natural taste for those employments makes more people follow them than can live comfortably by them, and the produce of their labour, in proportion to its quantity, comes always too cheap to market to afford anything but the most scanty subsistence to the labourers.

---

[1] [The foregoing introductory paragraphs would lead a logical reader to expect part 1 of the chapter to be entitled: 'Inequalities of pecuniary wages and profit which merely counterbalance inequalities of other advantages and disadvantages.' The rather obscure title actually chosen is due to the fact that nearly a quarter of the part is occupied by a discussion of three further conditions which must be present in addition to 'perfect freedom' in order to bring about the equality of total advantages and disadvantages. The chapter would have been clearer if this discussion had been placed at the beginning, but it was probably an afterthought.]

[2] [Below, pp. 107, 108.]

The same thing is true of profits.

Disagreeableness and disgrace affect the profits of stock in the same manner as the wages of labour. The keeper of an inn or tavern, who is never master of his own house, and who is exposed to the brutality of every drunkard, exercises neither a very agreeable nor a very creditable business. But there is scarce any common trade in which a small stock yields so great a profit.

(2) Wages vary with the cost of learning the business.

Secondly, The wages of labour vary with the easiness and cheapness, or the difficulty and expence of learning the business.

When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out upon it, with at least the [2] ordinary profits. A man educated at the expence of much labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expence of his education, with at least the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine.

The difference between the wages of skilled labour and those of common labour, is founded upon this principle.

The cost of apprenticeship accounts for the wages of manufacturers being higher than those of country labourers.

The policy of Europe considers the labour of all mechanics, artificers, and manufacturers, as skilled labour; and that of all country labourers as common labour. It seems to suppose that of the former to be of a more nice and delicate nature than that of the latter. It is so perhaps in some cases; but in the greater part it is quite otherwise, as I shall endeavour to shew by and by.[3] The laws and customs of Europe, therefore, in order to qualify any person for exercising the one species of labour, impose the necessity of an apprenticeship, though with different degrees of rigour in different places. They leave the other free and open to every body. During the continuance of the apprenticeship, the whole labour of the apprentice belongs to his master. In the mean time he must, in many cases, be maintained by his parents or relations, and in almost all cases must be cloathed by them. Some money too is commonly given to the master for teaching him his trade. They who cannot give money, give time, or become bound for more than the usual number of years; a consideration which, though it is not always advantageous to the master, on account of the usual idleness of apprentices, is always disadvantageous to the apprentice. In country labour, on the contrary, the labourer, while he is employed about the easier, learns the more difficult parts of his business, and his own labour maintains him through all the different stages of his employment. It is reasonable, therefore, that in Europe the wages of mechanics, artificers, and manufacturers, should be somewhat higher than those of common labourers.[1] They are so accordingly, and their superior gains make them in most places be considered as a superior rank of people. This superiority, however, is generally very small; the daily or weekly earnings of journeymen in the more common sorts of manufactures, such as those of plain linen and woollen cloth, computed at an average, are, in most places, very little more than the day wages of common labourers. Their employment, indeed, is more steady and uniform, and the superiority of their earnings, taking the whole year together, may be somewhat greater. It seems evidently, however, to be no greater than what is sufficient to compensate the superior expence of their education.

---

[1] See Idyllium xxi. [This merely describes the life of two poor fishermen. The note appears first in ed. 2.]

[2] [Ed. 1 reads 'its'.]

[3] [Below, p. 128.]

Education for liberal professions is more costly and the pecuniary recompense consequently higher.

Education in the ingenious arts and in the liberal professions, is still more tedious and expensive. The pecuniary recompence, therefore, of painters and sculptors, of lawyers and physicians, ought[2] to be much more liberal: and it is so accordingly.

Profits are not much affected by this circumstance.

The profits of stock seem to be very little affected by the easiness or difficulty of learning the trade in which it is employed. All the different ways in which stock is commonly employed in great towns seem, in reality, to be almost equally easy and equally difficult to learn. One branch either of foreign or domestic trade, cannot well be a much more intricate business than another.

---

[1] [This argument seems to be modelled closely on Cantillon, *Essai*, pp. 23, 24, but probably also owes something to Mandeville, *Fable of the Bees*, pt. ii., dialogue vi., vol. ii., p. 423. Cp. *Lectures*, pp. 173-175.]

[2] [The 'ought' is equivalent to 'it is reasonable they should be' in the previous paragraph, and to 'must' in 'must not only maintain him while he is idle' on p. 105. Cp. 'doivent' in Cantillon, *Essai*, p. 24: 'Ceux donc qui emploient des artisans ou gens de métier, doivent nécessairement payer leur travail plus haut que celui d'un laboureur ou manœuvre.' The meaning need not be that it is ethically right that a person on whose education much has been spent should receive a large reward, but only that it is economically desirable, since otherwise there would be a deficiency of such persons.]

(3) Wages vary with constancy of employment.

Thirdly, The wages of labour in different occupations vary with the constancy or inconstancy of employment.[1]

Employment is much more constant in some trades than in others. In the greater part of manufactures, a journeyman may be pretty sure of employment almost every day in the year that he is able to work. A mason or bricklayer, on the contrary, can work neither in hard frost nor in foul weather, and his employment at all other times depends upon the occasional calls of his customers. He is liable, in consequence, to be frequently without any. What he earns, therefore, while he is employed, must not only maintain him while he is idle, but make him some compensation for those anxious and desponding moments which the thought of so precarious a situation must sometimes occasion. Where the computed earnings of the greater part of manufacturers, accordingly, are nearly upon a level with the day wages of common labourers, those of masons and bricklayers are generally from one half more to double those wages. Where common labourers earn four and five shillings a week, masons and bricklayers frequently earn seven and eight; where the former earn six, the latter often earn nine and ten, and where the former earn nine and ten, as in London, the latter commonly earn fifteen and eighteen. No species of skilled labour, however, seems more easy to learn than that of masons and bricklayers. Chairmen in London, during the summer season, are said sometimes to be employed as bricklayers. The high wages of those workmen, therefore, are not so much the recompence of their skill, as the compensation for the inconstancy of their employment.

A house carpenter seems to exercise rather a nicer and more ingenious trade than a mason. In most places, however, for it is not universally so, his day-wages are somewhat lower. His employment, though it depends much, does not depend so entirely upon the occasional calls of his customers; and it is not liable to be interrupted by the weather.

When the trades which generally afford constant employment, happen in a particular place not to do so, the wages of the workmen always rise a good deal above their ordinary proportion to those of common labour. In London almost all journeymen artificers are liable to be called upon and dismissed by their masters from day to day, and from week to week, in the same manner as day-labourers in other places. The lowest order of artificers, journeymen taylors, accordingly, earn there half a crown a day,[1] though eighteen pence may be reckoned the wages of common labour. In small towns and country villages, the wages of journeymen taylors frequently scarce equal those of common labour; but in London they are often many weeks without employment, particularly during the summer.

---

[1] [The treatment of this head would have been clearer if it had begun with a distinction between 'day-wages' (mentioned lower down on the page) and annual earnings. The first paragraph of the argument claims that annual earnings as well as day-wages will be higher in the inconstant employment so as to counterbalance the disadvantage or repulsive force of having 'anxious and desponding moments'. In the subsequent paragraphs, however, this claim is lost sight of, and the discussion proceeds as if the thesis was that annual earnings are equal though day-wages may be unequal.]

When the inconstancy of employment is combined with the hardship, disagreeableness, and dirtiness of the work, it sometimes raises the wages of the most common labour above those of the most skilful artificers. A collier working by the piece is supposed, at Newcastle, to earn commonly about double, and in many parts of Scotland about three times the wages of common labour. His high wages arise altogether from the hardship, disagreeableness, and dirtiness of his work. His employment may, upon most occasions, be as constant as he pleases. The coal-heavers in London exercise a trade which in hardship, dirtiness, and disagreeableness, almost equals that of colliers; and from the unavoidable irregularity in the arrivals of coal-ships, the employment of the greater part of them is necessarily very inconstant. If colliers, therefore, commonly earn double and triple the wages of common labour, it ought not to seem unreasonable that coal-heavers should sometimes earn four and five times those wages. In the enquiry made into their condition a few years ago, it was found that at the rate at which they were then paid, they could earn from six to ten shillings a day. Six shillings are about four times the wages of common labour in London, and in every particular trade, the lowest common earnings may always be considered as those of the far greater number. How extravagant soever those earnings may appear, if they were more than sufficient to compensate all the disagreeable circumstances of the business, there would soon be so great a number of competitors as, in a trade which has no exclusive privilege, would quickly reduce them to a lower rate.

Constancy does not affect profits.

The constancy or inconstancy of employment cannot affect[2] the ordinary profits of stock in any particular trade. Whether the stock is or is not constantly employed depends, not upon the trade, but the trader.[3]

---

[1] [Below, p. 143.]

[2] [Misprinted 'effect' in ed. 5.]

[3] [That 'stock' consists of actual objects seems to be overlooked here. The constancy with which such objects can be employed is various: the constancy with which the hearse of a village is employed depends on the number of deaths, which may be said to be 'the trade,' and is certainly not 'the trader'. There is no difference of profits corresponding to differences of day-wages due to unequal constancy of employment, for the simple reason that 'profits' are calculated by their amount per annum, but the rural undertaker, liable to long interruption of

(4) Wages vary with the trust to be reposed.

Fourthly, The wages of labour vary according to the small or great trust which must be reposed in the workmen.[1]

The wages of goldsmiths and jewellers are every-where superior to those of many other workmen, not only of equal, but of much superior ingenuity; on account of the precious materials with which they are intrusted.

We trust our health to the physician; our fortune and sometimes our life and reputation to the lawyer and attorney. Such confidence could not safely be reposed in people of a very mean or low condition. Their reward must be such, therefore, as may give them that rank in the society which so important a trust requires. The long time and the great expence which must be laid out in their education, when combined with this circumstance, necessarily enhance still further the price of their labour.

Profits are unaffected by trust.

When a person employs only his own stock in trade, there is no trust; and the credit which he may get from other people, depends, not upon the nature of his trade, but upon their opinion of his fortune, probity, and prudence. The different rates of profit, therefore, in the different branches of trade, cannot arise from the different degrees of trust reposed in the traders.[2]

(5) Wages vary with the probability of success.

Fifthly, The wages of labour in different employments vary according to the probability or improbability of success in them.[3]

The probability that any particular person shall ever be qualified for the employment to which he is educated, is very different in different occupations. In the greater part of mechanic trades, success is almost certain; but very uncertain in the liberal professions. Put your son apprentice to a shoemaker, there is little doubt of his learning to make a pair of shoes: But send him to study the law, it is at least twenty to

---

business in healthy seasons, may just as well as the bricklayer be supposed to receive 'some compensation for those anxious and desponding moments which the thought of so precarious a situation must sometimes occasion'.]

[1] [The argument foreshadowed in the introductory paragraphs of the chapter requires an allegation that it is a disadvantage to a person to have trust reposed in him, but no such allegation is made. Cantillon, *Essai*, p. 27, says: 'lorsqu'il faut de la capacité et de la confiance, on paie encore le travail plus cher, comme aux jouailliers, teneurs de compte, caissiers, et autres.' Hume, *History*, ed. of 1773, vol. viii., p. 323, says: 'It is a familiar rule in all business that every man should be paid in proportion to the trust reposed in him and the power which he enjoys.']

[2] [But some trades, *e.g.*, that of a banker, may be necessarily confined to persons of more than average trustworthiness, and this may raise the rate of profit above the ordinary level if such persons are not sufficiently plentiful.]

[3] [The argument under this head, which is often misunderstood, is that pecuniary wages are (on the average, setting great gains against small ones) less in trades where there are high prizes and many blanks. The remote possibility of obtaining one of the high prizes is one of the circumstances which 'in the imaginations of men make up for a small pecuniary gain' (p. 101). Cantillon, *Essai*, p. 24, is not so subtle, merely making remuneration proportionate to risk.]

one if ever he makes such proficiency as will enable him to live by the business. In a perfectly fair lottery, those who draw the prizes ought to gain all that is lost by those who draw the blanks. In a profession where twenty fail for one that succeeds, that one ought to gain all that should have been gained by the unsuccessful twenty. The counsellor at law who, perhaps, at near forty years of age, begins to make something by his profession, ought to receive the retribution, not only of his own so tedious and expensive education, but of that of more than twenty others who are never likely to make any thing by it. How extravagant soever the fees of counsellors at law may sometimes appear, their real retribution is never equal to this.[1] Compute in any particular place, what is likely to be annually gained, and what is likely to be annually spent, by all the different workmen in any common trade, such as that of shoemakers or weavers, and you will find that the former sum will generally exceed the latter. But make the same computation with regard to all the counsellors and students of law, in all the different inns of court, and you will find that their annual gains bear but a very small proportion to their annual expence, even though you rate the former as high, and the latter as low, as can well be done. The lottery of the law, therefore, is very far from being a perfectly fair lottery; and that, as well as many other liberal and honourable professions, is,[2] in point of pecuniary gain, evidently under-recompenced.

Law and similar professions are nevertheless crowded.

Those professions keep their level, however, with other occupations, and, notwithstanding these discouragements, all the most generous and liberal spirits are eager to crowd into them. Two different causes contribute to recommend them. First, the desire of the reputation which attends upon superior excellence in any of them; and, secondly, the natural confidence which every man has more or less, not only in his own abilities, but in his own good fortune.

Public admiration makes a part of the reward of superior abilities,

To excel in any profession, in which but few arrive at mediocrity, is the most decisive mark of what is called genius or superior talents. The public admiration which attends upon such distinguished abilities, makes always a part of their reward; a greater or smaller in proportion as it is higher or lower in degree. It makes a considerable part of that reward[3] in the profession of physic; a still greater perhaps in that of law; in poetry and philosophy it makes almost the whole.

except in the peculiar case of players, opera-singers, &c.

There are some very agreeable and beautiful talents of which the possession commands a certain sort of admiration; but of which the exercise for the sake of gain is considered, whether from reason or prejudice, as a sort of public prostitution. The pecuniary recompence, therefore, of those who exercise them in this manner, must be sufficient, not only to pay for the time, labour, and expence of acquiring the talents, but for the discredit which attends the employment of them as the means of subsistence. The exorbitant rewards of players, opera-singers, opera-dancers, &c. are founded upon those two principles; the rarity and beauty of the talents, and the discredit of employing them in this manner. It seems absurd at first sight that we should despise their persons, and yet reward their talents with the most profuse liberality. While we do the one, however, we must of necessity do the other. Should the public opinion or prejudice ever alter with regard to such occupations, their pecuniary recompence would quickly diminish. More people would apply to them, and the competition would quickly reduce the price of their labour. Such talents, though far from being common, are by no means so rare as is imagined. Many people possess them in great perfection, who disdain to make this use of them; and many more are capable of acquiring them, if any thing could be made honourably by them.

---

[1] [*Lectures*, p. 175.]

[2] [Eds. 1-4 read 'are'.]

[3] [Ed. 1 reads 'of it'.]

The greater part of men have an over-weening conceit of their abilities:

The over-weening conceit which the greater part of men have of their own abilities, is an ancient evil remarked by the philosophers and moralists of all ages. Their absurd presumption in their own good fortune, has been less taken notice of. It is, however, if possible, still more universal. There is no man living who, when in tolerable health and spirits, has not some share of it. The chance of gain is by every man more or less over-valued, and the chance of loss is by most men under-valued, and by scarce any man, who is in tolerable health and spirits, valued more than it is worth.

lotteries show that the chance of gain is over-valued.

That the chance of gain is naturally over-valued, we may learn from the universal success of lotteries. The world neither ever saw, nor ever will see, a perfectly fair lottery; or one in which the whole gain compensated the whole loss; because the undertaker could make nothing by it. In the state lotteries the tickets are really not worth the price which is paid by the original subscribers, and yet commonly sell in the market for twenty, thirty, and sometimes forty per cent. advance. The vain hope of gaining some of the great prizes is the sole cause of this demand. The soberest people scarce look upon it as a folly to pay a small sum for the chance of gaining ten or twenty thousand pounds; though they know that even that small sum is perhaps twenty or thirty per cent. more than the chance is worth. In a lottery in which no prize exceeded twenty pounds, though in other respects it approached much nearer to a perfectly fair one than the common state lotteries, there would not be the same demand for tickets. In order to have a better chance for some of the great prizes, some people purchase several tickets, and others, small shares in a still greater number. There is not, however, a more certain proposition in mathematics, than that the more tickets you adventure upon, the more likely you are to be a loser. Adventure upon all the tickets in the lottery, and you lose for certain; and the greater the number of your tickets the nearer you approach to this certainty.

and the moderate profit of insurers shows that the chance of loss is under-valued.

That the chance of loss is frequently undervalued, and scarce ever valued more than it is worth, we may learn from the very moderate profit of insurers. In order to make insurance, either from fire or sea-risk, a trade at all, the common premium must be sufficient to compensate the common losses, to pay the expence of management, and to afford such a profit as might have been drawn from an equal capital employed in any common trade. The person who pays no more than this, evidently pays no more than the real value of the risk, or the lowest price at which he can reasonably expect to insure it. But though many people have made a little money by insurance, very few have made a great fortune; and from this consideration alone, it seems evident enough, that the ordinary balance of profit and loss is not more advantageous in this, than in other common trades by which so many people make fortunes. Moderate, however, as the premium of insurance commonly is, many people despise the risk too much to care to pay it. Taking the whole kingdom at an average, nineteen houses in twenty, or rather, perhaps, ninety-nine in a hundred, are not insured from fire. Sea risk is more alarming to the greater part of people, and the proportion of ships insured to those not insured is much greater. Many sail, however, at all seasons, and even in time of war, without any insurance. This may sometimes perhaps be done without any imprudence. When a great company, or even a great merchant, has twenty or thirty ships at sea, they may, as it were, insure one another. The premium saved upon them all, may more than compensate such losses as they are likely to meet with in the common course of chances. The neglect of insurance upon shipping, however, in the same manner as upon houses, is, in most cases, the effect of no such nice calculation, but of mere thoughtless rashness and presumptuous contempt of the risk.

Young people are particularly prone to over-value the chance of gain and under-value

The contempt of risk and the presumptuous hope of success, are in no period of life more active than at the age at which young people chuse their professions. How little the fear of misfortune is then capable of balancing the hope of good luck, appears still more evidently in the readiness of the common people to enlist as soldiers, or to go to sea, than in the eagerness of those of better fashion to enter into what are called the liberal professions.

the risk of loss.

For this reason soldiers ar poorly paid,

What a common soldier may lose is obvious enough. Without regarding the danger, however, young volunteers never enlist so readily as at the beginning of a new war; and though they have scarce any chance of preferment, they figure to themselves, in their youthful fancies, a thousand occasions of acquiring honour and distinction which never occur. These romantic hopes make the whole price of their blood. Their pay is less than that of common labourers, and in actual service their fatigues are much greater.

and sailors not much better.

The lottery of the sea is not altogether so disadvantageous as that of the army. The son of a creditable labourer or artificer may frequently go to sea with his father's consent; but if he enlists as a soldier, it is always without it. Other people see some chance of his making something by the one trade: nobody but himself sees any of his making any thing by the other. The great admiral is less the object of public admiration than the great general, and the highest success in the sea service promises a less brilliant fortune and reputation than equal success in the land. The same difference runs through all the inferior degrees of preferment in both. By the rules of precedency a captain in the navy ranks with a colonel in the army: but he does not rank with him in the common estimation. As the great prizes in the lottery are less, the smaller ones must be more numerous. Common sailors, therefore, more frequently get some fortune and preferment than common soldiers; and the hope of those prizes is what principally recommends the trade. Though their skill and dexterity are much superior to that of almost any artificers, and though their whole life is one continual scene of hardship and danger, yet for all this dexterity and skill, for all those hardships and dangers, while they remain in the condition of common sailors, they receive scarce any other recompence but the pleasure of exercising the one and of surmounting the other. Their wages are not greater than those of common labourers at the port which regulates the rate of seamen's wages. As they are continually going from port to port, the monthly pay of those who sail from all the different ports of Great Britain, is more nearly upon a level than that of any other workmen in those different places; and the rate of the port to and from which the greatest number sail, that is the port of London, regulates that of all the rest. At London the wages of the greater part of the different classes of workmen are about double those of the same classes at Edinburgh. But the sailors who sail from the port of London seldom earn above three or four shillings a month more than those who sail from the port of Leith, and the difference is frequently not so great. In time of peace, and in the merchant service, the London price is from a guinea to about seven-and-twenty shillings the calendar month. A common labourer in London, at the rate of nine or ten shillings a week, may earn in the calendar month from forty to five-and-forty shillings. The sailor, indeed, over and above his pay, is supplied with provisions. Their value, however, may not perhaps always exceed the difference between his pay and that of the common labourer; and though it sometimes should, the excess will not be clear gain to the sailor, because he cannot share it with his wife and family, whom he must maintain out of his wages at home.

Dangers which can be surmounted attract, though mere unwholesomeness repels.

The dangers and hair-breadth escapes of a life of adventures, instead of disheartening young people, seem frequently to recommend a trade to them. A tender mother, among the inferior ranks of people, is often afraid to send her son to school at a sea-port town, lest the sight of the ships and the conversation and adventures of the sailors should entice him to go to sea. The distant prospect of hazards, from which we can hope to extricate ourselves by courage and address, is not disagreeable to us, and does not raise the wages of labour in any employment. It is otherwise with those in which courage and address can be of no avail. In trades which are known to be very unwholesome, the wages of labour are always remarkably high. Unwholesomeness is a species of disagreeableness, and its effects upon the wages of labour are to be ranked under that general head.

Profits vary with certainty of return.

In all the different employments of stock, the ordinary rate of profit varies more or less with the certainty or uncertainty of the returns. These are in general less uncertain in the inland than in the foreign trade, and in some branches of foreign trade than in others; in the trade to North America, for example, than in that to Jamaica. The ordinary rate of profit always rises more or less with the risk. It does not, however, seem to rise in proportion to it, or so as to compensate it completely. Bankruptcies are most frequent in the most hazardous trades. The most hazardous of all trades, that of a smuggler, though when the adventure succeeds it is likewise the most profitable, is the infallible road to bankruptcy. The presumptuous hope of success seems to act here as upon all other occasions, and to entice so many adventurers into those hazardous trades, that their competition reduces the[1] profit below what is sufficient to compensate the risk. To compensate it completely, the common returns ought, over and above the ordinary profits of stock, not only to make up for all occasional losses, but to afford a surplus profit to the adventurers of the same nature with the profit of insurers. But if the common returns were sufficient for all this, bankruptcies would not be more frequent in these than in other trades.[1]

---

[1] [Eds. 4 and 5 read 'their,' doubtless a misprint.]

Profits are less unequal than wages, and their inequality is often only due to the inclusion of wages,

Of the five circumstances, therefore, which vary the wages of labour, two only affect the profits of stock; the agreeableness or disagreeableness of the business, and the risk or security with which it is attended. In point of agreeableness or disagreeableness, there is little or no difference in the far greater part of the different employments of stock; but a great deal in those of labour; and the ordinary profit of stock, though it rises with the risk, does not always seem to rise in proportion to it. It should follow from all this, that, in the same society or neighbourhood, the average and ordinary rates of profit in the different employments of stock should be more nearly upon a level than the pecuniary wages of the different sorts of labour. They are so accordingly. The difference between the earnings of a common labourer and those of a well employed lawyer or physician, is evidently much greater than that between the ordinary profits in any two different branches of trade. The apparent difference, besides, in the profits of different trades, is generally a deception arising from our not always distinguishing what ought to be considered as wages, from what ought to be considered as profit.[2]

as in the case of the profit of an apothecary,

Apothecaries profit is become a bye-word, denoting something uncommonly extravagant. This great apparent profit, however, is frequently no more than the reasonable wages of labour. The skill of an apothecary is a much nicer and more delicate matter than that of any artificer whatever; and the trust which is reposed in him is of much greater importance. He is the physician of the poor in all cases, and of the rich when the distress or danger is not very great. His reward, therefore, ought to be suitable to his skill and his trust, and it arises generally from the price at which he sells his drugs. But the whole drugs which the best employed apothecary, in a large market town, will sell in a year, may not perhaps cost him above thirty or forty pounds. Though he should sell them, therefore, for three or four hundred, or at a thousand per cent. profit, this may frequently be no more than the reasonable wages of his labour charged, in the only way in which he can charge them, upon the price of his drugs. The greater part of the apparent profit is real wages disguised in the garb of profit.

---

[1] [The fact is overlooked that the numerous bankruptcies may be counterbalanced by the instances of great gain. Below, on p. 127, the converse mistake is made of comparing great successes and leaving out of account great failures.]

[2] [Above, p. 55.]

or country grocer.

In a small sea-port town,[1] a little grocer will make forty or fifty per cent. upon a stock of a single hundred pounds, while a considerable wholesale merchant in the same place will scarce make eight or ten per cent. upon a stock of ten thousand. The trade of the grocer may be necessary for the conveniency of the inhabitants, and the narrowness of the market may not admit the employment of a larger capital in the business. The man, however, must not only live by his trade, but live by it suitably to the qualifications which it requires. Besides possessing a little capital, he must be able to read, write, and account, and must be a tolerable judge too of, perhaps, fifty or sixty different sorts of goods, their prices, qualities, and the markets where they are to be had cheapest. He must have all the knowledge, in short, that is necessary for a great merchant, which nothing hinders him from becoming but the want of a sufficient capital. Thirty or forty pounds a year cannot be considered as too great a recompence for the labour of a person so accomplished. Deduct this from the seemingly great profits of his capital, and little more will remain, perhaps, than the ordinary profits of stock. The greater part of the apparent profit is, in this case too, real wages.

The greater difference between retail and wholesale profits in town than country is due to the same cause.

The difference between the apparent profit of the retail and that of the wholesale trade, is much less in the capital than in small towns and country villages. Where ten thousand pounds can be employed in the grocery trade, the wages of the grocer's labour make but a very trifling addition to the real profits of so great a stock. The apparent profits of the wealthy retailer, therefore, are there more nearly upon a level with those of the wholesale merchant. It is upon this account that goods sold by retail are generally as cheap and frequently much cheaper in the capital than in small towns and country villages.[2] Grocery goods, for example, are generally much cheaper; bread and butcher's meat frequently as cheap. It costs no more to bring grocery goods to the great town than to the country village; but it costs a great deal more to bring corn and cattle, as the greater part of them must be brought from a much greater distance. The prime cost of grocery goods, therefore, being the same in both places, they are cheapest where the least profit is charged upon them. The prime cost of bread and butcher's meat is greater in the great town than in the country village; and though the profit is less, therefore they are not always cheaper there, but often equally cheap. In such articles as bread and butcher's meat, the same cause, which diminishes apparent profit, increases prime cost. The extent of the market, by giving employment to greater stocks, diminishes apparent profit; but by requiring supplies from a greater distance, it increases prime cost. This diminution of the one and increase of the other seem, in most cases, nearly to counter-balance one another; which is probably the reason that, though the prices of corn and cattle are commonly very different in different parts of the kingdom, those of bread and butcher's meat are generally very nearly the same through the greater part of it.

---

[1] [Doubtless Kirkcaldy was in Smith's mind.]

[2] [Above, p. 76.]

The lesser rate of profit in towns yields larger fortunes, but these mostly arise from speculation.

Though the profits of stock both in the wholesale and retail trade are generally less in the capital than in small towns and country villages, yet great fortunes are frequently acquired from small beginnings in the former, and scarce ever in the latter. In small towns and country villages, on account of the narrowness of the market, trade cannot always be extended as stock extends. In such places, therefore, though the rate of a particular person's profits may be very high, the sum or amount of them can never be very great, nor consequently that of his annual accumulation. In great towns, on the contrary, trade can be extended as stock increases, and the credit of a frugal and thriving man increases much faster than his stock. His trade is extended in proportion to the amount of both, and the sum or amount of his profits is in proportion to the extent of his trade, and his annual accumulation in proportion to the amount of his profits. It seldom happens, however, that great fortunes are made even in great towns by any one regular, established, and well-known branch of business, but in consequence of a long life of industry, frugality, and attention. Sudden fortunes, indeed, are sometimes made in such places by what is called the trade of speculation. The speculative merchant exercises no one regular, established, or well known branch of business. He is a corn merchant this year, and a wine merchant the next, and a sugar, tobacco, or tea merchant the year after. He enters into every trade when he foresees that it is likely to be more than commonly profitable, and he quits it when he foresees that its profits are likely to return to the level of other trades. His profits and losses, therefore, can bear no regular proportion to those of any one established and well-known branch of business. A bold adventurer may sometimes acquire a considerable fortune by two or three successful speculations; but is just as likely to lose one by two or three unsuccessful ones. This trade can be carried on no where but in great towns. It is only in places of the most extensive commerce and correspondence that the intelligence requisite for it can be had.

The five circumstances thus counter-balance differences of pecuniary gains,

The five circumstances above mentioned, though they occasion considerable inequalities in the wages of labour and profits of stock, occasion none in the whole of the advantages and disadvantages, real or imaginary, of the different employments of either. The nature of those circumstances is such, that they make up for a small pecuniary gain in some, and counter-balance a great one in others.

but three things are necessary as well as perfect freedom:

In order, however, that this equality may take place in the whole of their advantages or disadvantages, three things are requisite even where there is the most perfect freedom. First, the employments must be well known and long established in the neighbourhood; secondly, they must be in their ordinary, or what may be called their natural state; and, thirdly, they must be the sole or principal employments of those who occupy them.

(1) the employments must be well known and long established,

First, this equality can take place only in those employments which are well known, and have been long established in the neighbourhood.

since new trades yield higher wages,

Where all other circumstances are equal, wages are generally higher in new than in old trades. When a projector attempts to establish a new manufacture, he must at first entice his workmen from other employments by higher wages than they can either earn in their own trades, or than the nature of his work would otherwise require, and a considerable time must pass away before he can venture to reduce them to the common level. Manufactures for which the demand arises altogether from fashion and fancy, are continually changing, and seldom last long enough to be considered as old established manufactures. Those, on the contrary, for which the demand arises chiefly from use or necessity, are less liable to change, and the same form or fabric may continue in demand for whole centuries together. The wages of labour, therefore, are likely to be higher in manufactures of the former, than in those of the latter kind. Birmingham deals chiefly in manufactures of the former kind; Sheffield in those of the latter; and the wages of labour in those two different places, are said to be suitable to this difference in the nature of their manufactures.

and higher profits:

The establishment of any new manufacture, of any new branch of commerce, or of any new practice in agriculture, is always a speculation, from which the projector promises himself extraordinary profits. These profits sometimes are very great, and sometimes, more frequently, perhaps, they are quite otherwise; but in general they bear no regular proportion to those of other old trades in the neighbourhood. If the project succeeds, they are commonly at first very high. When the trade or practice becomes thoroughly established and well known, the competition reduces them to the level of other trades.

(2) the employments must be in their natural state,

Secondly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in the ordinary, or what may be called the natural state of those employments.

since the demand for labour in each employment varies from time to time

The demand for almost every different species of labour is sometimes greater and sometimes less than usual. In the one case the advantages of the employment rise above, in the other they fall below the common level. The demand for country labour is greater at hay-time and harvest, than during the greater part of the year; and wages rise with the demand. In time of war, when forty or fifty thousand sailors are forced from the merchant service into that of the king, the demand for sailors to merchant ships necessarily rises with their scarcity, and their wages upon such occasions commonly rise from a guinea and seven-and-twenty shillings, to forty shillings and three pounds a month. In a decaying manufacture, on the contrary, many workmen, rather than quit their old trade, are contented with smaller wages than would otherwise be suitable to the nature of their employment.

and profits fluctuate with the price of the commodity produced:

The profits of stock vary with the price of the commodities in which it is employed. As the price of any commodity rises above the ordinary or average rate, the profits of at least some part of the stock that is employed in bringing it to market, rise above their proper level, and as it falls they sink below it. All commodities are more or less liable to variations of price, but some are much more so than others. In all commodities which are produced by human industry, the quantity of industry annually employed is necessarily regulated by the annual demand, in such a manner that the average annual produce may, as nearly as possible, be equal to the average annual consumption. In some employments, it has already been observed,[1] the same quantity of industry will always produce the same, or very nearly the same quantity of commodities. In the linen or woollen manufactures, for example, the same number of hands will annually work up very nearly the same quantity of linen and woollen cloth. The variations in the market price of such commodities, therefore, can arise only from some accidental variation in the demand. A public mourning raises the price of black cloth.[2] But as the demand for most sorts of plain linen and woollen cloth is pretty uniform, so is likewise the price. But there are other employments in which the same quantity of industry will not always produce the same quantity of commodities. The same quantity of industry, for example, will, in different years, produce very different quantities of corn, wine, hops, sugar, tobacco, &c. The price

[1] [Above, p. 60.]

[2] [The illustration has already been used above, p. 61.]

of such commodities, therefore, varies not only with the variations of demand, but with the much greater and more frequent variations of quantity, and is consequently extremely fluctuating. But the profit of some of the dealers must necessarily fluctuate with the price of the commodities. The operations of the speculative merchant are principally employed about such commodities. He endeavours to buy them up when he foresees that their price is likely to rise, and to sell them when it is likely to fall.

and (3) the employments must be the principal employment of those who occupy them, since people maintained by one employment will work cheap at another, like the Scotch cotters,

Thirdly, This equality in the whole of the advantages and disadvantages of the different employments of labour and stock, can take place only in such as are the sole or principal employments of those who occupy them.

When a person derives his subsistence from one employment, which does not occupy the greater part of his time; in the intervals of his leisure he is often willing to work at another for less wages than would otherwise suit the nature of the employment.

There still subsists in many parts of Scotland a set of people called Cotters or Cottagers, though they were more frequent some years ago than they are now. They are a sort of out-servants of the landlords and farmers. The usual reward which they receive from their masters is a house, a small garden for pot herbs, as much grass as will feed a cow, and, perhaps, an acre or two of bad arable land. When their master has occasion for their labour, he gives them, besides, two pecks of oatmeal a week, worth about sixteen pence sterling. During a great part of the year he has little or no occasion for their labour, and the cultivation of their own little possession is not sufficient to occupy the time which is left at their own disposal. When such occupiers were more numerous than they are at present, they are said to have been willing to give their spare time for a very small recompence to any body, and to have wrought for less wages than other labourers. In ancient times they seem to have been common all over Europe. In countries ill cultivated and worse inhabited, the greater part of landlords and farmers could not otherwise provide themselves with the extraordinary number of hands, which country labour requires at certain seasons. The daily or weekly recompence which such labourers occasionally received from their masters, was evidently not the whole price of their labour. Their small tenement made a considerable part of it. This daily or weekly recompence, however, seems to have been considered as the whole of it, by many writers who have collected the prices of labour and provisions in ancient times, and who have taken pleasure in representing both as wonderfully low.

Shetland knitters,

The produce of such labour comes frequently cheaper to market than would otherwise be suitable to its nature. Stockings in many parts of Scotland are knit much cheaper than they can any-where be wrought upon the loom. They are the work of servants and labourers, who derive the principal part of their subsistence from some other employment. More than a thousand pair of Shetland stockings are annually imported into Leith, of which the price is from five pence to seven pence a pair. At Learwick, the small capital of the Shetland islands, ten pence a day, I have been assured, is a common price of common labour. In the same islands they knit worsted stockings to the value of a guinea a pair and upwards.

Scotch linen spinners,

The spinning of linen yarn is carried on in Scotland nearly in the same way as the knitting of stockings, by servants who are chiefly hired for other purposes. They earn but a very scanty subsistence, who endeavour to get their whole livelihood by either of those trades. In most parts of Scotland she is a good spinner who can earn twenty pence a week.

and London lodging house keepers.

In opulent countries the market is generally so extensive, that any one trade is sufficient to employ the whole labour and stock of those who occupy it. Instances of people's living by one employment, and at the same time deriving some little advantage from another, occur chiefly in poor countries. The following instance, however, of something of the same kind is to be found in the capital of a very rich one. There is no city in Europe, I believe, in which house-rent is dearer than in London, and yet I know no capital in which a furnished apartment can be hired so cheap. Lodging is not only much cheaper in London than in Paris; it is much cheaper than in Edinburgh of the same degree of goodness; and what may seem extraordinary, the dearness of house-rent is the cause of the cheapness of lodging. The dearness of house-rent in London arises, not only from those causes which render it dear in all great capitals, the dearness of labour, the dearness of all the materials of building, which must generally be brought from a great distance, and above all the dearness of ground-rent, every landlord acting the part of a monopolist, and frequently exacting a higher rent for a single acre of bad land in a town, than can be had for a hundred of the best in the country; but it arises in part from the peculiar manners and customs of the people which oblige every master of a family to hire a whole house from top to bottom. A dwelling-house in England means every thing that is contained under the same roof. In France, Scotland, and many other parts of Europe, it frequently means no more than a single story. A tradesman in

London is obliged to hire a whole house in that part of the town where his customers live. His shop is upon the ground-floor, and he and his family sleep in the garret; and he endeavours to pay a part of his house-rent by letting the two middle stories to lodgers. He expects to maintain his family by his trade, and not by his lodgers. Whereas, at Paris and Edinburgh, the people who let lodgings have commonly no other means of subsistence; and the price of the lodging must pay, not only the rent of the house, but the whole expence of the family.

PART II

Inequalities occasioned by the Policy of Europe

The policy of Europe occasions more important inequalities

SUCH are the inequalities in the whole of the advantages and disadvantages of the different employments of labour and stock, which the defect of any of the three requisites above-mentioned must occasion, even where there is the most perfect liberty. But the policy of Europe, by not leaving things at perfect liberty, occasions other inequalities of much greater importance.

in three ways:

It does this chiefly in the three following ways. First, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them; secondly, by increasing it in others beyond what it naturally would be; and, thirdly, by obstructing the free circulation of labour and stock, both from employment to employment and from place to place.

(1) It restricts competition in some employments,

First, The policy of Europe occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock, by restraining the competition in some employments to a smaller number than might otherwise be disposed to enter into them.

principally by giving exclusive privileges to corporations,

The exclusive privileges of corporations are the principal means it makes use of for this purpose.

which require long apprenticeship and limit the number of apprentices.

The exclusive privilege of an incorporated trade necessarily restrains the competition, in the town where it is established, to those who are free of the trade. To have served an apprenticeship in the town, under a master properly qualified, is commonly the necessary requisite for obtaining this freedom. The bye-laws of the corporation regulate sometimes the number of apprentices which any master is allowed to have, and almost always the number of years which each apprentice is obliged to serve. The intention of both regulations is to restrain the competition to a much smaller number than might otherwise be disposed to enter into the trade. The limitation of the number of apprentices restrains it directly. A long term of apprenticeship restrains it more indirectly, but as effectually, by increasing the expence of education.

In Sheffield no master cutler can have more than one apprentice at a time, by a bye-law of the corporation. In Norfolk and Norwich no master weaver can have more than two apprentices, under pain of forfeiting five pounds a month to the king.[1] No master hatter can have more than two apprentices any-where in England, or in the English plantations, under pain of forfeiting five pounds a month, half to the king, and half to him who shall sue in any court of record.[2] Both these regulations, though they have been confirmed by a public law of the kingdom, are evidently dictated by the same corporation spirit which enacted the bye-law of Sheffield.[3] The silk weavers in London had scarce been incorporated a year when they enacted a bye-law, restraining any master from having more than two apprentices at a time. It required a particular act of parliament to rescind this bye-law.[4]

Seven years is the usual period of apprenticeship.

Seven years seem anciently to have been, all over Europe, the usual term established for the duration of apprenticeships in the greater part of incorporated trades. All such incorporations were anciently called universities; which indeed is the proper Latin name for any incorporation whatever. The university of smiths, the university of taylors, &c. are expressions which we commonly meet with in the old charters of ancient towns.[5] When those particular incorporations which are now peculiarly called universities were first established, the term of years which it was necessary to study, in order to obtain the degree of master of arts, appears evidently to have been copied from the term of apprenticeship in common trades, of which the incorporations were much more ancient. As to have wrought seven years under a master properly qualified, was necessary, in order to entitle any person to become a master, and to have himself apprentices in a common trade; so to have studied seven years under a master properly qualified, was necessary to entitle him to become a master, teacher, or doctor (words anciently synonimous) in the liberal arts, and to have scholars or apprentices (words likewise originally synonimous) to study under him.

---

[1] [Under 13 and 14 Car. II., c. 5, § 18.]

[2] [8 Eliz., c. 11, § 8; 1 Jac. I., c. 17, § 3; 5 Geo. II., c. 22.]

[3] [But 8 Eliz., c. 11, was enacted 'at the lamentable suit and complaint' not of the hatters but of the cap-makers, who alleged that they were being impoverished by the excessive use of hats, which were made of foreign wool, and the extension to the colonies of the restriction on apprentices by 5 Geo. II., c. 22, was doubtless suggested by the English hatters' jealousy of the American hatters, so that this regulation was not dictated by quite the same spirit as the Sheffield by-law.]

[4] [The preamble of 13 and 14 Car. II., c. 15, says that the company of silk throwers in London were incorporated in 1629, and the preamble of 20 Car. II., c. 6, says that the trade had lately been obstructed because the company had endeavoured to put into execution a certain by-law made by them nearly forty years since, restricting the freemen to 160 spindles and the assistants to 240. The act 20 Car. II., c. 6, accordingly declares this by-law void. It also enacts that 'no by-law already made or hereafter to be made by the said company shall limit the number of apprentices to less than three'.]

[5] ['In Italy a mestiere or company of artisans and tradesmen was sometimes styled an *ars* or *universitas*. . . . The company of mercers of Rome are styled *universitas merciariorum*, and the company of bakers there *universitas pistorum*.'—Madox, *Firma Burgi*, 1726, p. 32.]

The Statute of Apprenticeship, which required it everywhere in England, has been confined to market towns,

By the 5th of Elizabeth, commonly called the Statute of Apprenticeship,[1] it was enacted, that no person should for the future exercise any trade, craft, or mystery at that time exercised in England, unless he had previously served to it an apprenticeship of seven years at least; and what before had been the bye-law of many particular corporations, became in England the general and public law of all trades carried on in market towns. For though the words of the statute are very general, and seem plainly to include the whole kingdom, by interpretation its operation has been limited to market towns, it having been held that in country villages a person may exercise several different trades, though he has not served a seven years apprenticeship to each, they being necessary for the conveniency of the inhabitants, and the number of people frequently not being sufficient to supply each with a particular set of hands.[2]

and to trades existing when it was passed.

By a strict interpretation of the words too the operation of this statute has been limited to those trades which were established in England before the 5th of Elizabeth, and has never been extended to such as have been introduced since that time.[3] This limitation has given occasion to several distinctions which, considered as rules of police, appear as foolish as can well be imagined. It has been adjudged, for example, that a coach-maker can neither himself make nor employ journeymen to make his coach-wheels; but must buy them of a master wheel-wright; this latter trade having been exercised in England before the 5th of Elizabeth.[4] But a wheel-wright, though he has never served an apprenticeship to a coach-maker, may either himself make or employ journeymen to make coaches; the trade of a coach-maker not being within the statute, because not exercised in England at the time when it was made.[5] The manufactures of Manchester, Birmingham, and Wolverhampton, are many of them, upon this account, not within the statute; not having been exercised in England before the 5th of Elizabeth.

---

[1] [C. 4, § 31.]

[2] [' It hath been held that this statute doth not restrain a man from using several trades, so as he had been an apprentice to all; wherefore it indemnifies all petty chapmen in little towns and villages because their masters kept the same mixed trades before.'—Matthew Bacon, *New Abridgement of the Law*, 3rd ed., 1768, vol. iii., p. 553, *s.v.* Master and servant.]

[3] [*Ibid.*, vol. iii., p. 552.]

[4] [*Ibid.*, vol. i., p. 553.]

[5] [Bacon (*ibid.*, iii., 553), however, says distinctly: 'A coachmaker is within this statute,' on the authority of Ventris' *Reports*, p. 346.]

The term varies in France,

In France, the duration of apprenticeships is different in different towns and in different trades. In Paris, five years is the term required in a great number; but before any person can be qualified to exercise the trade as a master, he must, in many of them, serve five years more as a journeyman. During this latter term he is called the companion [1] of his master, and the term itself is called his companionship.[2]

and Scotland, where the regulations are less oppressive.

In Scotland there is no general law which regulates universally the duration of apprenticeships. The term is different in different corporations. Where it is long, a part of it may generally be redeemed by paying a small fine. In most towns too a very small fine is sufficient to purchase the freedom of any corporation. The weavers of linen and hempen cloth, the principal manufactures of the country, as well as all other artificers subservient to them, wheel-makers, reel-makers, &c. may exercise their trades in any town corporate without paying any fine. In all towns corporate all persons are free to sell butcher's meat upon any lawful day of the week. Three years is in Scotland a common term of apprenticeship, even in some very nice trades; and in general I know of no country in Europe in which corporation laws are so little oppressive.

All such regulations are as impertinent as oppressive.

The property which every man has in his own labour, as it is the original foundation of all other property,[3] so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him. As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper. To judge whether he is fit to be employed, may surely be trusted to the discretion of the employers whose interest it so much concerns. The affected anxiety of the law-giver lest they should employ an improper person, is evidently as impertinent as it is oppressive.

Long apprenticeships are no security against bad work,

The institution of long apprenticeships can give no security that insufficient workmanship shall not frequently be exposed to public sale. When this is done it is generally the effect of fraud, and not of inability; and the longest apprenticeship can give no security against fraud. Quite different regulations are necessary to prevent this abuse. The sterling mark upon plate, and the stamps upon linen[1] and woollen cloth,[2] give the purchaser much greater security than any statute of apprenticeship. He generally looks at these, but never thinks it worth while to enquire whether the workmen had served a seven years apprenticeship.

---

[1] [Compagnon.] [2] [Compagnonnage.]

[3] [Contrast with this the account of the origin of property in the *Lectures*, pp. 107-127.]

and do not form young people to industry.

The institution of long apprenticeships has no tendency to form young people to industry. A journeyman who works by the piece is likely to be industrious, because he derives a benefit from every exertion of his industry. An apprentice is likely to be idle, and almost always is so, because he has no immediate interest to be otherwise. In the inferior employments, the sweets of labour consist altogether in the recompence of labour. They who are soonest in a condition to enjoy the sweets of it, are likely soonest to conceive a relish for it, and to acquire the early habit of industry. A young man naturally conceives an aversion to labour, when for a long time he receives no benefit from it. The boys who are put out apprentices from public charities are generally bound for more than the usual number of years, and they generally turn out very idle and worthless.

Apprenticeships were unknown to the ancients.

Apprenticeships were altogether unknown to the ancients. The reciprocal duties of master and apprentice make a considerable article in every modern code.[3] The Roman law is perfectly silent with regard to them. I know no Greek or Latin word (I might venture, I believe, to assert that there is none) which expresses the idea we now annex to the word Apprentice, a servant bound to work at a particular trade for the benefit of a master, during a term of years, upon condition that the master shall teach him that trade.

Long apprenticeships are altogether unnecessary.

Long apprenticeships are altogether unnecessary. The arts, which are much superior to common trades, such as those of making clocks and watches, contain no such mystery as to require a long course of instruction. The first invention of such beautiful machines, indeed, and even that of some of the instruments employed in making them, must, no doubt, have been the work of deep thought and long time, and may justly be considered as among the happiest efforts of human ingenuity. But when both have been fairly invented and are well understood, to explain to any young man, in the completest manner, how to apply the instruments and how to construct the machines, cannot well require more than the lessons of a few weeks: perhaps those of a few days might be sufficient. In the common mechanic trades, those of a few days might certainly be sufficient. The dexterity of hand, indeed, even in common trades, cannot be acquired without much practice and experience. But a young man would practise with much more diligence and attention, if from the beginning he wrought as a journeyman, being paid in proportion to the little work which he could execute, and paying in his turn for the materials which he might sometimes spoil through awkwardness and inexperience. His education would generally in this way be more effectual, and always less tedious and expensive. The master, indeed, would be a loser. He would lose all the wages of the apprentice, which he now saves, for seven years together. In the end, perhaps, the apprentice himself would be a loser. In a trade so easily learnt he would have more competitors, and his wages, when he came to be a complete workman, would be much less than at present. The same increase of competition would reduce the profits of the masters as well as the wages of the workmen. The trades, the crafts, the mysteries,[1] would all be losers. But the public would be a gainer, the work of all artificers coming in this way much cheaper to market.

---

[1] [Of Scotch manufacture, 10 Ann., c. 21; 13 Geo. I., c. 26.]

[2] [39 Eliz., c. 20; 43 Eliz., c. 10, § 7.]

[3] [The article on apprentices occupies twenty-four pages in Richard Burn's *Justice of the Peace*, 1764.]

Corporations were established to keep up prices and consequently wages and profit;

It is to prevent this reduction of price, and consequently of wages and profit, by restraining that free competition which would most certainly occasion it, that all corporations, and the greater part of corporation laws, have been established. In order to erect a corporation, no other authority in ancient times was requisite in many parts of Europe, but that of the town corporate in which it was established. In England, indeed, a charter from the king was likewise necessary. But this prerogative of the crown seems to have been reserved rather for extorting money from the subject, than for the defence of the common liberty against such oppressive monopolies. Upon paying a fine to the king, the charter seems generally to have been readily granted; and when any particular class of artificers or traders thought proper to act as a corporation without a charter, such adulterine guilds, as they were called, were not always disfranchised upon that account, but obliged to fine annually to the king for permission to exercise their usurped privileges.[2] The immediate inspection of all corporations, and of the bye-laws which they might think proper to enact for their own government, belonged to the town corporate in which they were established; and whatever discipline was exercised over them, proceeded commonly, not from the king, but from that greater incorporation of which those subordinate ones were only parts or members.[1]

---

[1] [The last two terms seem to be used rather contemptuously. Probably Smith had fresh in his recollection the passage in which Madox ridicules as a 'piece of puerility' the use of the English word 'misterie,' derived from 'the Gallick word mestera, mistera and misteria,' as if it 'signified something μυστηριῶδες, mysterious.'—*Firma Burgi*, 1726, pp. 33-35.]

[2] See Madox Firma Burgi, p. 26, &c. [This note appears first in ed. 2.]

by means of which the towns gained at the expense of the country,

The government of towns corporate was altogether in the hands of traders and artificers; and it was the manifest interest of every particular class of them, to prevent the market from being over-stocked, as they commonly express it, with their own particular species of industry; which is in reality to keep it always under-stocked. Each class was eager to establish regulations proper for this purpose, and, provided it was allowed to do so, was willing to consent that every other class should do the same. In consequence of such regulations, indeed, each class was obliged to buy the goods they had occasion for from every other within the town, somewhat dearer than they otherwise might have done. But in recompence, they were enabled to sell their own just as much dearer; so that so far it was as broad as long, as they say; and in the dealings of the different classes within the town with one another, none of them were losers by these regulations. But in their dealings with the country they were all great gainers; and in these latter dealings consists the whole trade which supports and enriches every town.

being enabled to get the produce of a larger quantity of country labour in exchange for the produce of a smaller quantity of their own,

Every town draws its whole subsistence, and all the materials of its industry, from the country. It pays for these chiefly in two ways: first, by sending back to the country a part of those materials wrought up and manufactured; in which case their price is augmented by the wages of the workmen, and the profits of their masters or immediate employers: secondly, by sending to it a part both of the rude and manufactured produce, either of other countries, or of distant parts of the same country, imported into the town; in which case too the original price of those goods is augmented by the wages of the carriers or sailors, and by the profits of the merchants who employ them. In what is gained upon the first of those two branches of commerce, consists the advantage which the town makes by its manufactures; in what is gained upon the second, the advantage of its inland and foreign trade. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations, therefore, tend to increase those wages and profits beyond what they otherwise would be, tend to enable the town to purchase, with a smaller quantity of its labour, the produce of a greater quantity of the labour of the country. They give the traders and artificers in the town an advantage over the landlords, farmers, and labourers in the country, and break down that natural equality which would otherwise take place in the commerce which is carried on between them. The whole annual produce of the labour of the society is annually divided between those two different sets of people. By means of those regulations a greater share of it is given to the inhabitants of the town than would otherwise fall to them; and a less to those of the country.

---

[1] ['Peradventure from these secular gilds or in imitation of them sprang the method or practice of gildating and embodying whole towns.'—Madox, *Firma Burgi*, p. 27.]

as the exports of a town are the real price of its imports.

The price which the town really pays for the provisions and materials annually imported into it, is the quantity of manufactures and other goods annually exported from it. The dearer the latter are sold, the cheaper the former are bought. The industry of the town becomes more, and that of the country less advantageous.

That town industry is better paid is shown by the large fortunes made in it.

That the industry which is carried on in towns is, every-where in Europe, more advantageous than that which is carried on in the country, without entering into any very nice computations, we may satisfy ourselves by one very simple and obvious observation. In every country of Europe we find, at least, a hundred people who have acquired great fortunes from small beginnings by trade and manufactures, the industry which properly belongs to towns, for one who has done so by that which properly belongs to the country, the raising of rude produce by the improvement and cultivation of land. Industry, therefore, must be better rewarded, the wages of labour and the profits of stock must evidently be greater in the one situation than in the other.[1] But stock and labour naturally seek the most advantageous employment. They naturally, therefore, resort as much as they can to the town, and desert the country.

Combination is easy to the inhabitants of a town,

The inhabitants of a town, being collected into one place, can easily combine together. The most insignificant trades carried on in towns have accordingly, in some place or other, been incorporated; and even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secret of their trade, generally prevail in them, and often teach them, by voluntary associations and agreements, to prevent that free competition which they cannot prohibit by bye-laws. The trades which employ but a small number of hands, run most easily into such combinations. Half a dozen wool-combers, perhaps, are necessary to keep a thousand spinners and weavers at work. By combining not to take apprentices they can not only engross the employment, but reduce the whole manufacture into a sort of slavery to themselves, and raise the price of their labour much above what is due to the nature of their work.

---

[1] [The argument is unsound in the absence of any proof that the more numerous successes are not counterbalanced by equally numerous failures; cp. above p. 113, note.]

and difficult to those of the country, who are dispersed and not governed by the corporation spirit. No apprenticeship is prescribed for farming, though a difficult art,

The inhabitants of the country, dispersed in distant places, cannot easily combine together.[1] They have not only never been incorporated, but the corporation spirit never has prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country. After what are called the fine arts, and the liberal professions, however, there is perhaps no trade which requires so great a variety of knowledge and experience. The innumerable volumes which have been written upon it in all languages, may satisfy us, that among the wisest and most learned nations, it has never been regarded as a matter very easily understood. And from all those volumes we shall in vain attempt to collect that knowledge of its various and complicated operations, which is commonly possessed even by the common farmer; how contemptuously soever the very contemptible authors of some of them may sometimes affect to speak of him. There is scarce any common mechanic trade, on the contrary, of which all the operations may not be as completely and distinctly explained in a pamphlet of a very few pages, as it is possible for words illustrated by figures to explain them. In the history of the arts, now publishing by the French academy of sciences,[2] several of them are actually explained in this manner. The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgment and discretion, than that of those which are always the same or very nearly the same.

or for the inferior branches of country labour, which require more skill than most mechanic trades.

Not only the art of the farmer, the general direction of the operations of husbandry, but many inferior branches of country labour, require much more skill and experience than the greater part of mechanic trades. The man who works upon brass and iron, works with instruments and upon materials of which the temper is always the same, or very nearly the same. But the man who ploughs the ground with a team of horses or oxen, works with instruments of which the health, strength, and temper, are very different upon different occasions. The condition of the materials which he works upon too is as variable as that of the instruments which he works with, and both require to be managed with much judgment and discretion. The common ploughman, though generally regarded as the pattern of stupidity and ignorance, is seldom defective in this judgment and discretion. He is less accustomed, indeed, to social intercourse than the mechanic who lives in a town. His voice and language are more uncouth and more difficult to be understood by those who are not used to them. His understanding, however, being accustomed to consider a greater variety of objects, is generally much superior to that of the other, whose whole attention from morning till night is commonly occupied in performing one or two very simple operations. How much the lower ranks of people in the country are really superior to those of the town, is well known to every man whom either business or curiosity has led to converse much with both.[1] In China and Indostan accordingly both the rank and the wages of country labourers are said to be superior to those of the greater part of artificers and manufacturers. They would probably be so every-where, if corporation laws and the corporation spirit did not prevent it.

---

[1] [Below, vol. ii., pp. 153, 154.]

[2] [*Descriptions des Arts et Métiers faites ou approuvées par Messieurs de l'Académie Royale des Sciences*, 1761-88.]

The superiority of town industry is enhanced by other regulations, such as high duties on foreign manufactures.

The superiority which the industry of the towns has every-where in Europe over that of the country, is not altogether owing to corporations and corporation laws. It is supported by many other regulations. The high duties upon foreign manufactures and upon all goods imported by alien merchants, all tend to the same purpose. Corporation laws enable the inhabitants of towns to raise their prices, without fearing to be under-sold by the free competition of their own countrymen. Those other regulations secure them equally against that of foreigners. The enhancement of price occasioned by both is every-where finally paid by the landlords, farmers, and labourers of the country, who have seldom opposed the establishment of such monopolies. They have commonly neither inclination nor fitness to enter into combinations; and the clamour and sophistry of merchants and manufacturers easily persuade them that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole.

The superiority has declined in Great Britain.

In Great Britain the superiority of the industry of the towns over that of the country, seems to have been greater formerly than in the present times. The wages of country labour approach nearer to those of manufacturing labour, and the profits of stock employed in agriculture to those of trading and manufacturing stock, than they are said to have done in the last century, or in the beginning of the present. This change may be regarded as the necessary, though very late consequence of the extraordinary encouragement given to the industry of the towns. The stock accumulated in them comes in time to be so great, that it can no longer be employed with the ancient profit in that species of industry which is peculiar to them. That industry has its limits like every other; and the increase of stock, by increasing the competition, necessarily reduces the profit. The lowering of profit in the town forces out stock to the country, where, by creating a new demand for country labour, it necessarily raises its wages. It then spreads itself, if I may say so, over the face of the land, and by being employed in agriculture is in part restored to the country, at the expence of which, in a great measure, it had originally been accumulated in the town. That every-where in Europe the greatest improvements of the country have been owing to such overflowings of the stock originally accumulated in the towns, I shall endeavour to show hereafter;[1] and at the same time to demonstrate, that though some countries have by this course attained to a considerable degree of opulence, it is in itself necessarily slow, uncertain, liable to be disturbed and interrupted by innumerable accidents, and in every respect contrary to the order of nature and of reason. The interests, prejudices, laws and customs which have given occasion to it, I shall endeavour to explain as fully and distinctly as I can in the third and fourth books of this inquiry.

---

[1] [*Lectures*, p. 255.]

Meetings of people in the same trade ought not to be facilitated,

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed, or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.

as by registration of traders,

A regulation which obliges all those of the same trade in a particular town to enter their names and places of abode in a public register, facilitates such assemblies. It connects individuals who might never otherwise be known to one another, and gives every man of the trade a direction where to find every other man of it.

by the establishment of funds for the sick, widows and orphans,

A regulation which enables those of the same trade to tax themselves in order to provide for their poor, their sick, their widows and orphans, by giving them a common interest to manage, renders such assemblies necessary.

or by incorporation.

An incorporation not only renders them necessary, but makes the act of the majority binding upon the whole. In a free trade an effectual combination cannot be established but by the unanimous consent of every single trader,[2] and it cannot last longer than every single trader continues of the same mind. The majority of a corporation can enact a bye-law with proper penalties, which will limit the competition more effectually and more durably than any voluntary combination whatever.

---

[1] [Below, pp. 382-394.] [2] [Ed. 1 reads 'single member of it' here and in the next line.]

Corporations are unnecessary, and corrupt the workmen.

The pretence that corporations are necessary for the better government of the trade, is without any foundation. The real and effectual discipline which is exercised over a workman, is not that of his corporation, but that of his customers. It is the fear of losing their employment which restrains his frauds and corrects his negligence. An exclusive corporation necessarily weakens the force of this discipline. A particular set of workmen must then be employed, let them behave well or ill. It is upon this account, that in many large incorporated towns no tolerable workmen are to be found, even in some of the most necessary trades. If you would have your work tolerably executed, it must be done in the suburbs, where the workmen, having no exclusive privilege, have nothing but their character to depend upon, and you must then smuggle it into the town as well as you can.

It is in this manner that the policy of Europe, by restraining the competition in some employments to a smaller number than would otherwise be disposed to enter into them, occasions a very important inequality in the whole of the advantages and disadvantages of the different employments of labour and stock.

(2) The policy of Europe increases competition in some trades.

Secondly, The policy of Europe, by increasing the competition in some employments beyond what it naturally would be, occasions another inequality of an opposite kind in the whole of the advantages and disadvantages of the different employments of labour and stock.

It cheapens the education of the clergy and thereby reduces their earnings;

It has been considered as of so much importance that a proper number of young people should be educated for certain professions, that, sometimes the public, and sometimes the piety of private founders have established many pensions, scholarships, exhibitions, bursaries, &c. for this purpose, which draw many more people into those trades than could otherwise pretend to follow them. In all christian countries, I believe, the education of the greater part of churchmen is paid for in this manner. Very few of them are educated altogether at their own expence. The long, tedious, and expensive education, therefore, of those who are, will not always procure them a suitable reward, the church being crowded with people who, in order to get employment, are willing to accept of a much smaller recompence than what such an education would otherwise have entitled them to; and in this manner the competition of the poor takes away the reward of the rich. It would be indecent, no doubt, to compare either a curate or a chaplain with a journeyman in any common trade. The pay of a curate or chaplain, however, may very properly be considered as of the same nature with the wages of a journeyman. They are, all three, paid for their work according to the contract which they may happen to make with their respective superiors. Till after the middle of the fourteenth century, five merks, containing about as much silver as ten pounds of our present money, was in England the usual pay of a curate or[1] stipendiary parish priest, as we find it regulated by the decrees of several different national councils.[2] At the same period four pence a day, containing the same quantity of silver as a shilling of our present money, was declared to be the pay of a master mason, and three pence a day, equal to nine pence of our present money, that of a journeyman mason.[3] The wages of both these labourers, therefore, supposing them to have been constantly employed, were much superior to those of the curate. The wages of the master mason, supposing him to have been without employment one third of the year, would have fully equalled them. By the 12th of Queen Anne, c. 12, it is declared, "That where-"as for want of sufficient maintenance and encouragement to curates, "the cures have in several places been meanly supplied, the bishop is, "therefore, empowered to appoint by writing under his hand and seal "a sufficient certain stipend or allowance, not exceeding fifty and not "less than twenty pounds a year."[4] Forty pounds a year is reckoned at present very good pay for a curate, and notwithstanding this act of parliament, there are many curacies under twenty pounds a year. There are journeymen shoemakers in London who earn forty pounds a year, and there is scarce an industrious workman of any kind in that metropolis who does not earn more than twenty. This last sum indeed does not exceed what is frequently earned by common labourers in many country parishes. Whenever the law has attempted to regulate the wages of workmen, it has always been rather to lower them than to raise them. But the law has upon many occasions attempted to raise the wages of curates, and for the dignity of the church, to oblige the rectors of parishes to give them more than the wretched maintenance which they themselves might be willing to accept of. And in both cases the law seems to have been equally ineffectual, and has never either been able to raise the wages of curates, or to sink those of labourers to the degree that was intended; because it has never been able to hinder either the one from being willing to accept of less than the legal allowance, on account of the indigence of their situation and the multitude of their competitors; or the other from receiving more, on account of the contrary competition of those who expected to derive either profit or pleasure from employing them.

---

[1] [Eds. 4 and 5 erroneously insert 'a' here.]

[2] [According to Richard Burn's *Ecclesiastical Law*, 1763, *s.v.* Curates, six marks was the pay ordered by a constitution of Archbishop Islip till 1378, when it was raised to eight.]

[3] See the Statute of labourers, 25 Ed. III. [Below, p. 177. The note is not in ed. 1.]

[4] [The quotation is not intended to be *verbatim*, in spite of the inverted commas.]

so that it is only the great benefices, etc., which support the honour of the English and Roman Catholic Churches.

The great benefices and other ecclesiastical dignities support the honour of the church, notwithstanding the mean circumstances of some of its inferior members. The respect paid to the profession too makes some compensation even to them for the meanness of their pecuniary recompence. In England, and in all Roman Catholic countries, the lottery of the church is in reality much more advantageous than is necessary. The example of the churches of Scotland, of Geneva, and of several other protestant churches, may satisfy us, that in so creditable a profession, in which education is so easily procured, the hopes of much more moderate benefices will draw a sufficient number of learned, decent, and respectable men into holy orders.

The same cause, if present, would lower the reward of lawyers and physicians,

In professions in which there are no benefices, such as law and physic, if an equal proportion of people were educated at the public expence, the competition would soon be so great, as to sink very much their pecuniary reward. It might then not be worth any man's while to educate his son to either of those professions at his own expence. They would be entirely abandoned to such as had been educated by those public charities, whose numbers and necessities would oblige them in general to content themselves with a very miserable recompence, to the entire degradation of the now respectable professions of law and physic.

as it has done that of men of letters,

That unprosperous race of men commonly called men of letters, are pretty much in the situation which lawyers and physicians probably would be in upon the foregoing supposition. In every part of Europe the greater part of them have been educated for the church, but have been hindered by different reasons from entering into holy orders. They have generally, therefore, been educated at the public expence, and their numbers are every-where so great as commonly to reduce the price of their labour to a very paultry recompence.

and that of teachers,

Before the invention of the art of printing, the only employment by which a man of letters could make any thing by his talents, was that of a public or private[1] teacher, or by communicating to other people the curious and useful knowledge which he had acquired himself: And this is still surely a more honourable, a more useful, and in general even a more profitable employment than that other of writing for a bookseller, to which the art of printing has given occasion. The time and study, the genius, knowledge, and application requisite to qualify an eminent teacher of the sciences, are at least equal to what is necessary for the greatest practitioners in law and physic. But the usual reward of the eminent teacher bears no proportion to that of the lawyer or physician; because the trade of the one is crowded with indigent people who have been brought up to it at the public expence; whereas those of the other two are incumbered with very few who have not been educated at their own. The usual recompence, however, of public and private teachers, small as it may appear, would undoubtedly be less than it is, if the competition of those yet more indigent men of letters who write for bread was not taken out of the market. Before the invention of the art of printing, a scholar and a beggar seem to have been terms very nearly synonymous. The different governors of the universities before that time appear to have often granted licences to their scholars to beg.[1]

---

[1] [Ed. 1 does not contain 'or private'.]

who were much better paid in ancient times.

In ancient times, before any charities of this kind had been established for the education of indigent people to the learned professions, the rewards of eminent teachers appear to have been much more considerable. Isocrates, in what is called his discourse against the sophists, reproaches the teachers of his own times with inconsistency. "They make the most magnificent promises to their scholars, says he, and undertake to teach them to be wise, to be happy, and to be just, and in return for so important a service they stipulate the paultry reward of four or five minæ. They who teach wisdom, continues he, ought certainly to be wise themselves; but if any man were[2] to sell such a bargain for such a price, he would be convicted of the most evident folly."[3] He certainly does not mean here to exaggerate the reward, and we may be assured that it was not less than he represents it. Four minæ were equal to thirteen pounds six shillings and eight pence: five minæ to sixteen pounds thirteen shillings and four pence. Something not less than the largest of those two sums, therefore, must at that time have been usually paid to the most eminent teachers at Athens. Isocrates himself demanded ten minæ,[4] or thirty-three pounds six shillings and eight pence, from each scholar. When he taught at Athens, he is said to have had an hundred scholars. I understand this to be the number whom he taught at one time, or who attended what we would call one course of lectures, a number which will not appear extraordinary from so great a city to so famous a teacher, who taught too what was at that time the most fashionable of all sciences, rhetoric. He must have made, therefore, by each course of lectures, a thousand minæ, or *3,333l. 6s. 8d.* A thousand minæ, accordingly, is said by Plutarch in another place, to have been his Didactron, or usual price of teaching.[1] Many other eminent teachers in those times appear to have acquired great fortunes. Gorgias made a present to the temple of Delphi of his own statue in solid gold.[2] We must not, I presume, suppose that it was as large as the life. His way of living, as well as that of Hippias and Protagoras, two other eminent teachers of those times, is represented by Plato as splendid even to ostentation.[3] Plato himself is said to have lived with a good deal of magnificence. Aristotle, after having been tutor to Alexander, and most munificently rewarded, as it is universally agreed, both by him and his father Philip,[4] thought it worth while, notwithstanding, to return to Athens, in order to resume the teaching of his school. Teachers of the sciences were probably in those times less common than they came to be in an age or two afterwards, when the competition had probably somewhat reduced both the price of their labour and the admiration for their persons. The most eminent of them, however, appear always to have enjoyed a degree of consideration much superior to any of the like profession in the present times. The Athenians sent Carneades the academic, and Diogenes the stoic, upon a solemn embassy to Rome; and though their city had then declined from its former grandeur, it was still an independent and considerable republic. Carneades too was a Babylonian by birth,[5] and as there never was a people more jealous of admitting foreigners to public offices than the Athenians, their consideration for him must have been very great.

---

[1] [Hume, *History*, ed. of 1773, vol. iii., p. 403, quotes 11 Hen. VII., c. 22, which forbids students to beg without permission from the chancellor.]

[2] [Eds. 1-3 read 'was'.]

[3] [§§ 3, 4. A very free but not incorrect translation. Arbuthnot, *Tables of Ancient Coins, Weights and Measures*, 2nd ed., 1754, p. 198, refers to but does not quote the passage as his authority for stating the reward of a sophist at four or five minæ. He treats the mina as equal to £3 4s. 7d., which at the rate of 62s. to the pound troy is considerably too low.]

[4] [Plutarch, *Demosthenes*, c. v., § 3; *Isocrates*, § 30.]

Perhaps this cheapness of teaching is no disadvantage to the public.

This inequality is upon the whole, perhaps, rather advantageous than hurtful to the public. It may somewhat degrade the profession of a public teacher; but the cheapness of literary education is surely an advantage which greatly over-balances this trifling inconveniency. The public too might derive still greater benefit from it, if the constitution of those schools and colleges, in which education is carried on, was more reasonable than it is at present through the greater part of Europe.[1]

---

[1] [Arbuthnot, *Tables of Ancient Coins*, p. 198, says, 'Isocrates had from his disciples a didactron or reward of 1,000 minæ, £3,229 3s. 4d.,' and quotes 'Plut. in Isocrate,' which says nothing about a 'didactron,' but only that Isocrates charged ten minæ and had 100 pupils.—§§ 9, 12, 30.]

[2] [This story is from Pliny, *H. N.*, xxxiii., cap. iv., who remarks, 'Tantus erat docendae oratoriae quaestus,' but the commentators point out that earlier authorities ascribe the erection of the statue not to Gorgias, but to the whole of Greece.]

[3] [It is difficult to discover on what passage this statement is based.]

[4] [Plutarch, *Alexander*.]

[5] [This is a slip. Carneades was a native of Cyrene, and it was his colleague Diogenes who was a Babylonian by birth.]

(3) The policy of Europe obstructs the free circulation of labour.

Thirdly, The policy of Europe, by obstructing the free circulation of labour and stock both from employment to employment, and from place to place, occasions in some cases a very inconvenient inequality in the whole of the advantages and disadvantages of their different employments.

Apprenticeship and corporation privileges obstruct circulation from employment to employment and from place to place.

The statute of apprenticeship[2] obstructs the free circulation of labour from one employment to another, even in the same place. The exclusive privileges of corporations obstruct it from one place to another, even in the same employment.

So that the changes of employment necessary to equalise wages are prevented.

It frequently happens that while high wages are given to the workmen in one manufacture, those in another are obliged to content themselves with bare subsistence. The one is in an advancing state, and has, therefore, a continual demand for new hands: The other is in a declining state, and the super-abundance of hands is continually increasing. Those two manufactures may sometimes be in the same town, and sometimes in the same neighbourhood, without being able to lend the least assistance to one another. The statute of apprenticeship may oppose it in the one case, and both that and an exclusive corporation in the other. In many different manufactures, however, the operations are so much alike, that the workmen could easily change trades with one another, if those absurd laws did not hinder them. The arts of weaving plain linen and plain silk, for example, are almost entirely the same. That of weaving plain woollen is somewhat different; but the difference is so insignificant, that either a linen or a silk weaver might become a tolerable workman in a very few days. If any of those three capital manufactures, therefore, were decaying, the workmen might find a resource in one of the other two which was in a more prosperous condition; and their wages would neither rise too high in the thriving, nor sink too low in the decaying manufacture. The linen manufacture indeed is, in England, by a particular statute,[3] open to every body; but as it is not much cultivated through the greater part of the country, it can afford no general resource to the workmen of other decaying manufactures, who, wherever the statute of apprenticeship takes place, have no other choice but either to come upon the parish, or to work as common labourers, for which, by their habits, they are much worse qualified than for any sort of manufacture that bears any resemblance to their own. They generally, therefore, chuse to come upon the parish.

---

[1] [Below, vol. ii., pp. 249-261.]

[2] [Above, p. 122.]

[3] [15 Car. II., c. 15.]

What obstructs the circulation of labour also obstructs that of stock.

Whatever obstructs the free circulation of labour from one employment to another, obstructs that of stock likewise; the quantity of stock which can be employed in any branch of business depending very much upon that of the[1] labour which can be employed in it. Corporation laws, however, give less obstruction to the free circulation of stock from one place to another than to that of labour. It is everywhere much easier for a wealthy merchant to obtain the privilege of trading in a town corporate, than for a poor artificer to obtain that of working in it.

In England the circulation of labour is further obstructed by the poor law

The obstruction which corporation laws give to the free circulation of labour is common, I believe, to every part of Europe. That which is given to it by the poor laws is, so far as I know,[2] peculiar to England. It consists in the difficulty which a poor man finds in obtaining a settlement, or even in being allowed to exercise his industry in any parish but that to which he belongs. It is the labour of artificers and manufacturers only of which the free circulation is obstructed by corporation laws. The difficulty of obtaining settlements obstructs even that of common labour. It may be worth while to give some account of the rise, progress, and present state of this disorder, the greatest perhaps of any in the police of England.

Each parish was to support its own poor under 43 Eliz., c. 2;

When by the destruction of monasteries the poor had been deprived of the charity of those religious houses, after some other ineffectual attempts for their relief, it was enacted by the 43d of Elizabeth, c. 2. that every parish should be bound to provide for its own poor; and that overseers of the poor should be annually appointed, who, with the churchwardens, should raise, by a parish rate, competent sums for this purpose.

these were determined by 13 and 14 Car. II. to be such as had resided forty days, within which time, however, a new inhabitant might be removed.

By this statute the necessity of providing for their own poor was indispensably imposed upon every parish. Who were to be considered as the poor of each parish, became, therefore, a question of some importance. This question, after some variation, was at last determined by the 13th and 14th of Charles II.[3] when it was enacted, that forty days undisturbed residence should gain any person a settlement in any parish; but that within that time it should be lawful for two justices of the peace, upon complaint made by the churchwardens or overseers of the poor, to remove any new inhabitant to the parish where he was last legally settled;[4] unless he either rented a tenement of ten pounds a year, or could give such security for the discharge of the parish where he was then living, as those justices should judge sufficient.

---

[1] [Ed. 1 does not contain 'the'.] [2] [Ed. 1 places the 'is' here.] [3] [C. 12.]

[4] [This account of the provisions of the Acts regarding settlement, though not incorrect, inverts the order of the ideas which prompted them. The preamble complains that owing to defects in the law 'poor people are not restrained from going from one parish to another

Notice in writing was required from the new inhabitant by 1 James II.

Some frauds, it is said, were committed in consequence of this statute; parish officers sometimes bribing their own poor to go clandestinely to another parish and by keeping themselves concealed for forty days to gain a settlement there, to the discharge of that to which they properly belonged. It was enacted, therefore, by the 1st of James II.[1] that the forty days undisturbed residence of any person necessary to gain a settlement, should be accounted only from the time of his delivering notice in writing, of the place of his abode and the number of his family, to one of the churchwardens or overseers of the parish where he came to dwell.

Such notice was to be published in church under 3 W. III.

But parish officers, it seems, were not always more honest with regard to their own, than they had been with regard to other parishes, and sometimes connived at such intrusions, receiving the notice, and taking no proper steps in consequence of it. As every person in a parish, therefore, was supposed to have an interest to prevent as much as possible their being burdened by such intruders, it was further enacted by the 3d of William III.[2] that the forty days residence should be accounted only from the publication of such notice in writing on Sunday in the church, immediately after divine service.

"After all," says Doctor Burn, "this kind of settlement, by continuing forty days after publication of notice in writing, is very seldom "obtained; and the design of the acts is not so much for gaining of "settlements, as for the avoiding of them by persons coming into a "parish clandestinely: for the giving of notice is only putting a force "upon the parish to remove. But if a person's situation is such, that "it is doubtful whether he is actually removeable or not, he shall by "giving of notice compel the parish either to allow him a settlement "uncontested, by suffering him to continue forty days; or, by removing "him, to try the right."[3]

This statute, therefore, rendered it almost impracticable for a poor

---

and therefore do endeavour to settle themselves in those parishes where there is the best stock,' and so forth, and the Act therefore gives the justices power, 'within forty days after any such person or persons coming so to settle as aforesaid,' to remove them 'to such parish where he or they were last legally settled either as a native, householder, sojourner, apprentice or servant for the space of forty days at the least'. The use of the term 'settlement' seems to have originated with this Act.]

[1] [C. 17, 'An act for reviving and continuance of several acts'. The reason given is that 'such poor persons at their first coming to a parish do commonly conceal themselves'. Nothing is said either here or in Burn's *Poor Law* or *Justice of the Peace* about parish officers bribing their poor to go to another parish.]

[2] [3 W. and M., c. 11, § 3.]

[3] [Richard Burn, *Justice of the Peace*, 1764, vol. ii., p. 253.]

man to gain a new settlement in the old way, by forty days inhabitancy. But that it might not appear to preclude altogether the common people of one parish from ever establishing themselves with security in another, it appointed four other ways by which a settlement might be gained without any notice delivered or published. The first was, by being taxed to parish rates and paying them; the second, by being elected into an annual parish office, and serving in it a year; the third, by serving an apprenticeship in the parish; the fourth, by being hired into service there for a year, and continuing in the same service during the whole of it.[1]

There were four other ways of gaining a settlement,

Nobody can gain a settlement by either of the two first ways, but by the public deed of the whole parish, who are too well aware of the consequences to adopt any new-comer who has nothing but his labour to support him, either by taxing him to parish rates, or by electing him into a parish office.

two of which were impossible to all poor men,

No married man can well gain any settlement in either of the two last ways. An apprentice is scarce ever married; and it is expressly enacted, that no married servant shall gain any settlement by being hired for a year.[2] The principal effect of introducing settlement by service, has been to put out in a great measure the old fashion of hiring for a year, which before had been so customary in England, that even at this day, if no particular term is agreed upon, the law intends that every servant is hired for a year. But masters are not always willing to give their servants a settlement by hiring them in this manner; and servants are not always willing to be so hired, because, as every last settlement discharges all the foregoing, they might thereby lose their original settlement in the places of their nativity, the habitation of their parents and relations.

and the other two to all married men,

No independent workman, it is evident, whether labourer or artificer, is likely to gain any new settlement either by apprenticeship or by service. When such a person, therefore, carried his industry to a new parish, he was liable to be removed, how healthy and industrious soever, at the caprice of any churchwarden or overseer, unless he either rented a tenement of ten pounds a year, a thing impossible for one who has nothing but his labour to live by; or could give such security for the discharge of the parish as two justices of the peace should judge sufficient. What security they shall require, indeed, is left altogether to their discretion; but they cannot well require less than thirty pounds, it having been enacted, that the purchase even of a freehold estate of

and to all independent workmen.

---

[1] [§§ 6, 8.]

[2] [§ 7 confines settlement by service to unmarried persons without children.]

less than thirty pounds value, shall not gain any person a settlement, as not being sufficient for the discharge of the parish.[1] But this is a security which scarce any man who lives by labour can give; and much greater security is frequently demanded.

Certificates were invented to enable persons to reside in a parish without being immediately removable and without gaining a settlement.

In order to restore in some measure that free circulation of labour which those different statutes had almost entirely taken away,[2] the invention of certificates was fallen upon. By the 8th and 9th of William III.[3] it was enacted, that if any person should bring a certificate from the parish where he was last legally settled, subscribed by the churchwardens and overseers of the poor, and allowed by two justices of the peace, that every other parish should be obliged to receive him; that he should not be removeable merely upon account of his being likely to become chargeable, but only upon his becoming actually chargeable, and that then the parish which granted the certificate should be obliged to pay the expence both of his maintenance and of his removal. And in order to give the most perfect security to the parish where such certificated man should come to reside, it was further enacted by the same statute,[4] that he should gain no settlement there by any means whatever, except either by renting a tenement of ten pounds a year, or by serving upon his own account in an annual parish office for one whole year; and consequently neither by notice, nor by service, nor by apprenticeship, nor by paying parish rates. By the 12th of Queen Anne too, stat. 1. c. 18. it was further enacted, that neither the servants nor apprentices of such certificated man should gain any settlement in the parish where he resided under such certificate.[5]

---

[1] [By 9 Geo. I., c. 7.]

[2] [The Act, 13 & 14 Car. II., c. 12, giving the justices power to remove the immigrant within forty days was certainly obstructive to the free circulation of labour, but the other statutes referred to in the text, by making the attainment of a settlement more difficult, would appear to have made it less necessary for a parish to put in force the power of removal, and therefore to have assisted rather than obstructed the free circulation of labour. The poor law commissioners of 1834, long after the power of removal had been abolished in 1795, found the law of settlement a great obstruction to the free circulation of labour, because men were afraid of gaining a new settlement, not because a new settlement was denied them.]

[3] [C. 30, 'An act for supplying some defects in the laws for the relief of the poor of this kingdom'. The preamble recites, 'Forasmuch as many poor persons chargeable to the parish, township or place where they live, merely for want of work, would in any other place when sufficient employment is to be had maintain themselves and families without being burdensome to any parish, township or place'. But certificates were invented long before this. The Act 13 & 14 Car. II., c. 12, provides for their issue to persons going into another parish for harvest or any other kind of work, and the preamble of 8 & 9 W. III., c. 30, shows that they were commonly given. Only temporary employment, however, was contemplated, and, on the expiration of the job, the certificated person became removable.]

[4] [Rather by the explanatory Act, 9 & 10 W. III., c. 11.]

[5] [All these statutes are conveniently collected in Richard Burn's *History of the Poor Laws*, 1764, pp. 94-100.]

How far this invention has restored that free circulation of labour which the preceding statutes had almost entirely taken away, we may learn from the following very judicious observation of Doctor Burn. "It is obvious," says he, "that there are divers good reasons for requiring certificates with persons coming to settle in any place; "namely, that persons residing under them can gain no settlement, "neither by apprenticeship, nor by service, nor by giving notice, "nor by paying parish rates; that they can settle neither apprentices "nor servants; that if they become chargeable, it is certainly known "whither to remove them, and the parish shall be paid for the "removal, and for their maintenance in the mean time; and that if "they fall sick, and cannot be removed, the parish which gave the "certificate must maintain them: none of all which can be without "a certificate. Which reasons will hold proportionably for parishes "not granting certificates in ordinary cases; for it is far more than "an equal chance, but that they will have the certificated persons "again, and in a worse condition."[1] The moral of this observation seems to be, that certificates ought always to be required by the parish where any poor man comes to reside, and that they ought very seldom to be granted by that which he proposes to leave. "There is somewhat of hardship in this matter of certificates," says the same very intelligent Author, in his History of the Poor Laws, "by putting it in "the power of a parish officer, to imprison a man as it were for life; "however inconvenient it may be for him to continue at that place "where he has had the misfortune to acquire what is called a settlement, or whatever advantage he may propose to himself by living "elsewhere."[2]

Certificates were required by the new parish but refused by the old.

Though a certificate carries along with it no testimonial of good behaviour, and certifies nothing but that the person belongs to the parish to which he really does belong, it is altogether discretionary in the parish officers either to grant or to refuse it. A mandamus was once moved for, says Doctor Burn, to compel the churchwardens and overseers to sign a certificate; but the court of King's Bench rejected the motion as a very strange attempt.[3]

The courts declined to force overseers to give a certificate.

The very unequal price of labour which we frequently find in England in places at no great distance from one another, is probably owing

This law is the cause of the very

---

[1] [Burn, *Justice of the Peace*, 1764, vol. ii., p. 274.]

[2] [Burn, *History of the Poor Laws*, 1764, pp. 235, 236, where it is observed that 'it was the easy method of obtaining a settlement by a residency of forty days that brought parishes into a state of war against the poor and against one another,' and that if settlement were reduced to the place of birth or of inhabitancy for one or more years, certificates would be got rid of.]

[3] [Burn, *Justice*, vol. ii., p. 209. The date given is 1730.]

unequal price of labour in England,

to the obstruction which the law of settlements gives to a poor man who would carry his industry from one parish to another without a certificate. A single man, indeed, who is healthy and industrious, may sometimes reside by sufferance without one; but a man with a wife and family who should attempt to do so, would in most parishes be sure of being removed, and if the single man should afterwards marry, he would generally be removed likewise.[1] The scarcity of hands in one parish, therefore, cannot always be relieved by their superabundance in another, as it is constantly in Scotland, and, I believe, in all other countries where there is no difficulty of settlement. In such countries, though wages may sometimes rise a little in the neighbourhood of a great town, or wherever else there is an extraordinary demand for labour, and sink gradually as the distance from such places increases, till they fall back to the common rate of the country; yet we never meet with those sudden and unaccountable differences in the wages of neighbouring places which we sometimes find in England, where it is often more difficult for a poor man to pass the artificial boundary of a parish, than an arm of the sea or a ridge of high mountains, natural boundaries which sometimes separate very distinctly different rates of wages in other countries.

and an evident violation of natural liberty, though tamely submitted to.

To remove a man who has committed no misdemeanour from the parish where he chuses to reside, is an evident violation of natural liberty and justice. The common people of England, however, so jealous of their liberty, but like the common people of most other countries never rightly understanding wherein it consists, have now for more than a century together suffered themselves to be exposed to this oppression without a remedy. Though men of reflection too have sometimes complained of the law of settlements as a public grievance; yet it has never been the object of any general popular clamour, such as that against general warrants, an abusive practice undoubtedly, but such a one as was not likely to occasion any general oppression. There is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed[2] by this ill-contrived law of settlements.

Wages were anciently rated by law

I shall conclude this long chapter with observing, that though anciently it was usual to rate wages, first by general laws extending over the whole kingdom, and afterwards by particular orders of the justices of peace in every particular county, both these practices have now gone entirely into disuse. "By the experience of above four "hundred years," says Doctor Burn, "it seems time to lay aside all "endeavours to bring under strict regulations, what in its own nature "seems incapable of minute limitation: for if all persons in the same "kind of work were to receive equal wages, there would be no emula-"tion, and no room left for industry or ingenuity." [1]

---

[1] [Since the fact of the father having no settlement would not free the parish from the danger of having at some future time to support the children.]

[2] [Some evidence in support of this assertion would have been acceptable. Sir Frederic M. Eden, *State of the Poor*, 1797, vol. i., pp. 296-298, may be consulted on the other side. William Hay's *Remarks on the Laws Relating to the Poor*, 1735, which Eden regards as giving a very exaggerated view of the obstruction caused by the law of settlement, was in the Edinburgh Advocates' Library in 1776, and Adam Smith may have seen it.]

or by justices of peace.

Particular acts of parliament, however, still attempt sometimes to regulate wages in particular trades and in particular places. Thus the 8th of George III.[2] prohibits under heavy penalties all master taylors in London, and five miles round it, from giving, and their workmen from accepting, more than two shillings and sevenpence halfpenny a day, except in the case of a general mourning. Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters. Thus the law which obliges the masters in several different trades to pay their workmen in money and not in goods, is quite just and equitable.[3] It imposes no real hardship upon the masters. It only obliges them to pay that value in money, which they pretended to pay, but did not always really pay, in goods. This law is in favour of the workmen; but the 8th of George III. is in favour of the masters. When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement, not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them

London tailors' wages are still rated by law.

---

[1] [*History of the Poor Laws*, p. 130, loosely quoted. After 'limitation' the passage runs, 'as thereby it leaves no room for industry or ingenuity; for if all persons in the same kind of work were to receive equal wages there would be no emulation.']

[2] [7 Geo. I., stat. 1, c. 13, was passed, according to its preamble, because journeymen tailors had lately departed from their service without just cause, and had entered into 'combinations to advance their wages to unreasonable prices, and lessen their usual hours of work, which is of evil example, and manifestly tends to the prejudice of trade, to the encouragement of idleness, and to the great increase of the poor'. It prescribed hours, 6 A.M. to 8 P.M., and wages, 2s. a day in the second quarter and 1s. 8d. for the rest of the year. Quarter sessions might alter the rates. This Act was amended by 8 Geo. III., c. 17, under which the hours were to be 6 A.M. to 7 P.M., and wages a maximum of 2s. 7½d. a day. Masters inside the area were forbidden to pay more to workers outside the area than was allowed by the Act within it.]

[3] [1 Ann., stat. 2, c. 18, applied to workmen in the woollen, linen, fustian, cotton and iron manufacture; 13 Geo. II., c. 8, to manufacturers of gloves, boots, shoes and other leather wares. The second of these Acts only prohibits truck payments when made without the request and consent of the workmen.]

very severely; and if it dealt impartially, it would treat the masters in the same manner. But the 8th of George III. enforces by law that very regulation which masters sometimes attempt to establish by such combinations. The complaint of the workmen, that it puts the ablest and most industrious upon the same footing with an ordinary workman, seems perfectly well founded.

Attempts were also made to regulate profits by fixing prices, and the assize of bread still remains.

In ancient times too it was usual to attempt to regulate the profits of merchants and other dealers, by rating the price both of provisions and other goods. The assize of bread is, so far as I know, the only remnant of this ancient usage. Where there is an exclusive corporation, it may perhaps be proper to regulate the price of the first necessary of life. But where there is none, the competition will regulate it much better than any assize. The method of fixing the assize of bread established by the 31st of George II.[1] could not be put in practice in Scotland, on account of a defect in the law; its execution depending upon the office of clerk of the market, which does not exist there. This defect was not remedied till the 3d of George III.[2] The want of an assize occasioned no sensible inconveniency, and the establishment of one in the few places where it has yet taken place, has produced no sensible advantage. In the greater part of the towns of Scotland, however, there is an incorporation of bakers who claim exclusive privileges, though they are not very strictly guarded.

The inequalities of wages and profits are not much affected by the advancing or declining state of the society.

The proportion between the different rates both of wages and profit in the different employments of labour and stock, seems not to be much affected, as has already been observed,[3] by the riches or poverty, the advancing, stationary, or declining state of the society. Such revolutions in the public welfare, though they affect the general rates both of wages and profit, must in the end affect them equally in all different employments. The proportion between them, therefore, must remain the same, and cannot well be altered, at least for any considerable time, by any such revolutions.

---

[1] [C. 29.]

[2] [C. 6. The preamble relates the defect.]

[3] [Above, p. 65.]

CHAPTER XI

OF THE RENT OF LAND

Rent is the produce which is over what is necessary to pay the farmer ordinary profit.

RENT, considered as the price paid for the use of land, is naturally the highest which the tenant can afford to pay in the actual circumstances of the land. In adjusting the terms of the lease, the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood. This is evidently the smallest share with which the tenant can content himself without being a loser, and the landlord seldom means to leave him any more. Whatever part of the produce, or, what is the same thing, whatever part of its price, is over and above this share, he naturally endeavours to reserve to himself as the rent of his land, which is evidently the highest the tenant can afford to pay in the actual circumstances of the land. Sometimes, indeed, the liberality, more frequently the ignorance, of the landlord, makes him accept of somewhat less than this portion; and sometimes too, though more rarely, the ignorance of the tenant makes him undertake to pay somewhat more, or to content himself with somewhat less, than the ordinary profits of farming stock in the neighbourhood. This portion, however, may still be considered as the natural rent of land, or the rent for which it is naturally meant that land should for the most part be let.

It is not merely interest on stock laid out in improvements,

The rent of land, it may be thought, is frequently no more than a reasonable profit or interest for the stock laid out by the landlord upon its improvement. This, no doubt, may be partly the case upon some occasions; for it can scarce ever be more than partly the case. The landlord demands a rent even for unimproved land, and the supposed interest or profit upon the expence of improvement is generally an addition to this original rent. Those improvements, besides, are not always made by the stock of the landlord, but sometimes by that of the tenant. When the lease comes to be renewed, however, the landlord commonly demands the same augmentation of rent, as if they had been all made by his own.

and is sometimes obtained for land incapable of improvement, such as rocks where kelp grows;

He sometimes demands rent for what is altogether incapable of human improvement. Kelp is a species of sea-weed, which, when burnt, yields an alkaline salt, useful for making glass, soap, and for several other purposes. It grows in several parts of Great Britain, particularly in Scotland, upon such rocks only as lie within the high water mark, which are twice every day covered with the sea, and of which the produce, therefore, was never augmented by human industry. The landlord, however, whose estate is bounded by a kelp shore of this kind, demands a rent for it as much as for his corn fields.

and for the opportunity to fish.

The sea in the neighbourhood of the islands of Shetland is more than commonly abundant in fish, which make a great part of the subsistence of their inhabitants. But in order to profit by the produce of the water, they must have a habitation upon the neighbouring land. The rent of the landlord is in proportion, not to what the farmer can make by the land, but to what he can make both by the land and by[1] the water. It is partly paid in sea-fish; and one of the very few instances in which rent makes a part of the price of that commodity, is to be found in that country.

It is therefore a monopoly price.

The rent of land, therefore, considered as the price paid for the use of the land, is naturally a monopoly price. It is not at all proportioned to what the landlord may have laid out upon the improvement of the land, or to what he can afford to take; but to what the farmer can afford to give.

Whether particular parts of produce fetch a price sufficient to yield a rent depends on the demand.

Such parts only of the produce of land can commonly be brought to market of which the ordinary price is sufficient to replace the stock which must be employed in bringing them thither, together with its ordinary profits. If the ordinary price is more than this, the surplus part of it will naturally go to the rent of the land. If it is not more, though the commodity may be brought to market, it can afford no rent to the landlord. Whether the price is, or is not more, depends upon the demand.

Some parts are always in sufficient demand: others sometimes are and sometimes are not.

There are some parts of the produce of land for which the demand must always be such as to afford a greater price than what is sufficient to bring them to market; and there are others for which it either may or may not be such as to afford this greater price. The former must always afford a rent to that landlord. The latter sometimes may, and sometimes may not, according to different circumstances.

---

[1] ['By' appears first in ed. 3.]

Rent, it is to be observed, therefore, enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit, are the causes of high or low price; high or low rent is the effect of it. It is because high or low wages and profit must be paid, in order to bring a particular commodity to market, that its price is high or low. But it is because its price is high or low; a great deal more, or very little more, or no more, than what is sufficient to pay those wages and profit, that it affords a high rent, or a low rent, or no rent at all.

Wages and profit are causes of price; rent is an effect.

The particular consideration, first, of those parts of the produce of land which always afford some rent; secondly, of those which sometimes may and sometimes may not afford rent; and, thirdly, of the variations which, in the different periods of improvement, naturally take place, in the relative value of those two different sorts of rude produce, when compared both with one another and with manufactured commodities, will divide this chapter into three parts.

The chapter is divided into three parts.

PART I

Of the Produce of Land which always affords Rent

AS men, like all other animals, naturally multiply in proportion to the means of their subsistence, food is always, more or less, in demand. It can always purchase or command a greater or smaller quantity of labour, and somebody can always be found who is willing to do something in order to obtain it. The quantity of labour, indeed, which it can purchase, is not always equal to what it could maintain, if managed in the most œconomical manner, on account of the high wages which are sometimes given to labour. But it can always purchase such a quantity of labour as it can maintain, according to the rate at which that sort of labour is commonly maintained in the neighbourhood.

Food can always purchase as much labour as it can maintain.

But land, in almost any situation, produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus too is always more than sufficient to replace the stock which employed that labour, together with its profits. Something, therefore, always remains for a rent to the landlord.

Almost all land produces more than enough food to maintain the labour and pay the profits, and therefore yields rent.

The most desart moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labour necessary for tending them, and to pay the ordinary profit to the farmer or owner of the herd or flock; but to afford some small rent to the landlord. The rent increases in proportion to the goodness of the pasture. The same extent of ground not only maintains a greater number of cattle, but as they are brought within a smaller compass, less labour becomes requisite to tend them, and to collect their produce. The landlord gains both ways; by the increase of the produce, and by the diminution of the labour which must be maintained out of it.

The rent varies with situation as well as with fertility.

The rent of land not only varies with its fertility, whatever be its produce, but with its situation, whatever be its fertility.[1] Land in the neighbourhood of a town gives a greater rent than land equally fertile in a distant part of the country. Though it may cost no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater quantity of labour, therefore, must be maintained out of it; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country the rate of profits, as has already been shown,[2] is generally higher than in the neighbourhood of a large town. A smaller proportion of this diminished surplus, therefore, must belong to the landlord.

Good roads, etc., diminish differences of rent.

Good roads, canals, and navigable rivers, by diminishing the expence of carriage, put the remote parts of the country more nearly upon a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established but in consequence of that free and universal competition which forces everybody to have recourse to it for the sake of self-defence. It is not more than fifty years ago, that some of the counties in the neighbourhood of London petitioned the parliament against the extension of the turnpike roads into the remoter counties. Those remoter counties, they pretended, from the cheapness of labour, would be able to sell their grass and corn cheaper in the London market than themselves, and would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time.

---

[1] [Eds. 1 and 2 read 'The rent of land varies with its fertility, whatever be its produce, and with its situation, whatever be its fertility.']

[2] [Above, p. 91.]

Corn land yields a larger supply of food after maintaining labour than pasture.

A corn field of moderate fertility produces a much greater quantity of food for man, than the best pasture of equal extent. Though its cultivation requires much more labour, yet the surplus which remains after replacing the seed and maintaining all that labour, is likewise much greater. If a pound of butcher's-meat, therefore, was never supposed to be worth more than a pound of bread, this greater surplus would every-where be of greater value, and constitute a greater fund both for the profit of the farmer and the rent of the landlord. It seems to have done so universally in the rude beginnings of agriculture.

In early times meat is cheaper than bread,

But the relative values of those two different species of food, bread, and butcher's-meat, are very different in the different periods of agriculture. In its rude beginnings, the unimproved wilds, which then occupy the far greater part of the country, are all abandoned to cattle. There is more butcher's-meat than bread, and bread, therefore, is the food for which there is the greatest competition, and which consequently brings the greatest price. At Buenos Ayres, we are told by Ulloa, four reals, one-and-twenty pence halfpenny sterling, was, forty or fifty years ago, the ordinary price of an ox, chosen from a herd of two or three hundred.[1] He says nothing of the price of bread, probably because he found nothing remarkable about it. An ox there, he says, costs little more than the labour of catching him. But corn can no-where be raised without a great deal of labour, and in a country which lies upon the river Plate, at that time the direct road from Europe to the silver mines of Potosi, the money price of labour could not be very cheap. It is otherwise when cultivation is extended over the greater part of the country. There is then more bread than butcher's-meat. The competition changes its direction, and the price of butcher's-meat becomes greater than the price of bread.

but later on it becomes dearer,

By the extension besides of cultivation the unimproved wilds become insufficient to supply the demand for butcher's-meat. A great part of the cultivated lands must be employed in rearing and fattening cattle, of which the price, therefore, must be sufficient to pay, not only the labour necessary for tending them, but the rent which the landlord and the profit which the farmer could have drawn from such land employed in tillage. The cattle bred upon the most uncultivated moors, when brought to the same market, are, in proportion to their weight or goodness, sold at the same price as those which are reared upon the most improved land. The proprietors of those moors profit by it, and raise the rent of their land in proportion to the price of their cattle. It is not more than a century ago that in many parts of the highlands of Scotland, butcher's-meat was as cheap or cheaper than even bread made of oat-meal. The union opened the market of England to the highland cattle. Their ordinary price is at present about three times greater than at the beginning of the century, and the rents of many highland estates have been tripled and quadrupled in the same time.[1] In almost every part of Great Britain a pound of the best butcher's-meat is, in the present times, generally worth more than two pounds of the best white bread; and in plentiful years it is sometimes worth three or four pounds.

---

[1] [Vol. i., p. 532, in the French translation of Juan and Ulloa's work, *Voyage historique de l'Amérique méridionale par don George Juan et don Antoine de Ulloa*, 1752. The statement is repeated in almost the same words, substituting 'three or four hundred' for 'two or three hundred,' below, p. 186.]

and pasture yields as good a rent as corn land,

It is thus that in the progress of improvement the rent and profit of unimproved pasture come to be regulated in some measure by the rent and profit of what is improved, and these again by the rent and profit of corn. Corn is an annual crop. Butcher's-meat, a crop which requires four or five years to grow. As an acre of land, therefore, will produce a much smaller quantity of the one species of food than of the other, the inferiority of the quantity must be compensated by the superiority of the price. If it was more than compensated, more corn land would be turned into pasture; and if it was not compensated, part of what was in pasture would be brought back into corn.

and sometimes a greater one,

This equality, however, between the rent and profit of grass and those of corn; of the land of which the immediate produce is food for cattle, and of that of which the immediate produce is food for men; must be understood to take place only through the greater part of the improved lands of a great country. In some particular local situations it is quite otherwise, and the rent and profit of grass are much superior to what can be made by corn.

as in the neighbourhood of a great town,

Thus in the neighbourhood of a great town, the demand for milk and for forage to horses, frequently contribute, together with the high price of butcher's-meat, to raise the value of grass above what may be called its natural proportion to that of corn. This local advantage, it is evident, cannot be communicated to the lands at a distance.

or all over a populous country

Particular circumstances have sometimes rendered some countries so populous, that the whole territory, like the lands in the neighbourhood which imports corn,

---

[1] [See below, pp. 163 and 219.]

of a great town, has not been sufficient to produce both the grass and the corn necessary for the subsistence of their inhabitants. Their lands, therefore, have been principally employed in the production of grass, the more bulky commodity, and which cannot be so easily brought from a great distance; and corn, the food of the great body of the people, has been chiefly imported from foreign countries. Holland is at present in this situation, and a considerable part of ancient Italy seems to have been so during the prosperity of the Romans. To feed well, old Cato said, as we are told by Cicero, was the first and most profitable thing in the management of a private estate; to feed tolerably well, the second; and to feed ill, the third. To plough, he ranked only in the fourth place of profit and advantage.[1] Tillage, indeed, in that part of ancient Italy which lay in the neighbourhood of Rome, must have been very much discouraged by the distributions of corn which were frequently made to the people, either gratuitously, or at a very low price. This corn was brought from the conquered provinces, of which several, instead of taxes, were obliged to furnish a tenth part of their produce at a stated price, about sixpence a peck, to the republic.[2] The low price at which this corn was distributed to the people, must necessarily have sunk the price of what could be brought to the Roman market from Latium, or the ancient territory of Rome, and must have discouraged its cultivation in that country.

such as Holland and ancient Italy,

and occasionally in a country where enclosure is unusual.

In an open country too, of which the principal produce is corn, a well-enclosed piece of grass will frequently rent higher than any corn field in its neighbourhood. It is convenient for the maintenance of the cattle employed in the cultivation of the corn, and its high rent is, in this case, not so properly paid from the value of its own produce, as from that of the corn lands which are cultivated by means of it. It is likely to fall, if ever the neighbouring lands are completely enclosed. The present high rent of enclosed land in Scotland seems owing to the scarcity of enclosure, and will probably last no longer than that scarcity. The advantage of enclosure is greater for pasture than for corn. It saves the labour of guarding the cattle, which feed better too when they are not liable to be disturbed by their keeper or his dog.

Ordinarily the rent of corn land regulates that of pasture.

But where there is no local advantage of this kind, the rent and profit of corn, or whatever else is the common vegetable food of the people, must naturally regulate, upon the land which is fit for producing it, the rent and profit of pasture.

---

[1] [Cicero, *De officiis*, lib. ii. *ad fin.* Quoted in *Lectures*, p. 229.]

[2] [See below, pp. 217, 218.]

Improved methods of feeding cattle lower meat in proportion to bread.

The use of the artificial grasses, of turnips, carrots, cabbages, and the other expedients which have been fallen upon to make an equal quantity of land feed a greater number of cattle than when in natural grass, should somewhat reduce, it might be expected, the superiority which, in an improved country, the price of butcher's-meat naturally has over that of bread. It seems accordingly to have done so; and there is some reason for believing that, at least in the London market, the price of butcher's-meat in proportion to the price of bread, is a good deal lower in the present times than it was in the beginning of the last century.

The price of meat was higher at the beginning of the seventeenth century

In the appendix to the Life of Prince Henry, Doctor Birch has given us an account of the prices of butcher's-meat as commonly paid by that prince. It is there said that the four quarters of an ox weighing six hundred pounds usually cost him nine pounds ten shillings, or thereabouts; that is, thirty-one shillings and eight pence per hundred pounds weight.[1] Prince Henry died on the 6th of November 1612, in the nineteenth year of his age.[2]

than in 1763-4;

In March 1764, there was a parliamentary inquiry into the causes of the high price of provisions at that time. It was then, among other proof to the same purpose, given in evidence by a Virginia merchant, that in March 1763, he had victualled his ships for twenty-four or twenty-five shillings the hundred weight of beef, which he considered as the ordinary price; whereas, in that dear year, he had paid twenty-seven shillings for the same weight and sort.[3] This high price in 1764 is, however, four shillings and eight pence cheaper than the ordinary price paid by prince Henry; and it is the best beef only, it must be observed, which is fit to be salted for those distant voyages.

The price paid by prince Henry amounts to $3\frac{4}{5}$*d.* per pound weight of the whole carcase, coarse and choice pieces taken together; and at that rate the choice pieces could not have been sold by retail for less than $4\frac{1}{2}$*d.* or 5*d.* the pound.

In the parliamentary inquiry in 1764, the witnesses stated the price of the choice pieces of the best beef to be to the consumer 4*d.* and $4\frac{1}{4}$*d.* the pound; and the coarse pieces in general to be from seven farthings to $2\frac{1}{2}$*d.* and $2\frac{3}{4}$*d.*; and this they said was in general one half-penny dearer than the same sort of pieces had usually been sold in the month of March.[1] But even this high price is still a good deal cheaper than what we can well suppose the ordinary retail price to have been in the time of prince Henry.

---

[1] [*The Life of Henry Prince of Wales*, by Thomas Birch, D.D., 1760, p. 346.]

[2] [*Ibid.*, p. 271.]

[3] [*A Report from the Committee who, upon the* 8*th day of February*, 1764, *were appointed to inquire into the Causes of the High Price of Provisions with the proceedings of the House thereupon.* Published by order of the House of Commons, 1764, paragraph 4, where, however, there is no definite statement to the effect that the Virginia merchant, Mr. Capel Hanbury, considered 24s. or 25s. as the ordinary price.]

whereas wheat was cheaper.

During the twelve first years of the last century, the average price of the best wheat at the Windsor market was 1*l.* 18*s.* 3⅙*d.* the quarter of nine Winchester bushels.

But in the twelve years preceding 1764, including that year, the average price of the same measure of the best wheat at the same market was 2*l.* 1*s.* 9½*d.*[2]

In the twelve first years of the last century, therefore, wheat appears to have been a good deal cheaper, and butcher's-meat a good deal dearer, than in the twelve years preceding 1764, including that year.

The rent and profit of corn land and pasture regulate those of all other land.

In all great countries the greater part of the cultivated lands are employed in producing either food for men or food for cattle. The rent and profit of these regulate the rent and profit of all other cultivated land. If any particular produce afforded less, the land would soon be turned into corn or pasture; and if any afforded more, some part of the lands in corn or pasture would soon be turned to that produce.

The apparently greater rent or profit of some other kinds is only interest on greater expense,

Those productions, indeed, which require either a greater original expence of improvement, or a greater annual expence of cultivation, in order to fit the land for them, appear commonly to afford, the one a greater rent, the other a greater profit than corn or pasture. This superiority, however, will seldom be found to amount to more than a reasonable interest or compensation for this superior expence.

as in hop, and fruit gardens;

In a hop garden, a fruit garden, a kitchen garden, both the rent of the landlord, and the profit of the farmer, are generally greater than in a corn or grass field. But to bring the ground into this condition requires more expence. Hence a greater rent becomes due to the landlord. It requires too a more attentive and skilful management. Hence a greater profit becomes due to the farmer. The crop too, at least in the hop and fruit garden, is more precarious. Its price, therefore, besides compensating all occasional losses, must afford something like the profit of insurance.[3] The circumstances of gardeners, generally mean, and always moderate, may satisfy us that their great ingenuity is not commonly over-recompenced. Their delightful art is practised by so many rich people for amusement, that little advantage is to be made by those who practise it for profit; because the persons who should naturally be their best customers, supply themselves with all their most precious productions.

---

[1] [*Report from the Committee*, paragraph 3 almost *verbatim*. The Committee resolved 'that the high price of provisions of late has been occasioned partly by circumstances peculiar to the season and the year, and partly by the defect of the laws in force for convicting and punishing all persons concerned in forestalling cattle in their passage to market.']

[2] [These prices are deduced from the tables at the end of the chapter.]

[3] [Only if the extra risk deters people from entering the business, and according to pp. 112, 113 above it would not.

kitchen-gardens;

The advantage which the landlord derives from such improvements seems at no time to have been greater than what was sufficient to compensate the original expence of making them. In the ancient husbandry, after the vineyard, a well-watered kitchen garden seems to have been the part of the farm which was supposed to yield the most valuable produce. But Democritus, who wrote upon husbandry about two thousand years ago, and who was regarded by the ancients as one of the fathers of the art, thought they did not act wisely who enclosed a kitchen garden. The profit, he said, would not compensate the expence of a stone wall; and bricks (he meant, I suppose, bricks baked in the sun) mouldered with the rain, and the winter storm, and required continual repairs. Columella, who reports this judgment of Democritus, does not controvert it, but proposes a very frugal method of enclosing with a hedge of brambles[1] and briars, which, he says, he had found by experience to be both a lasting and an impenetrable fence;[2] but which, it seems, was not commonly known in the time of Democritus. Palladius adopts the opinion of Columella, which had before been recommended by Varro.[3] In the judgment of those ancient improvers, the produce of a kitchen garden had, it seems, been little more than sufficient to pay the extraordinary culture and the expence of watering; for in countries so near the sun, it was thought proper, in those times as in the present, to have the command of a stream of water, which could be conducted to every bed in the garden. Through the greater part of Europe, a kitchen garden is not at present supposed to deserve a better enclosure than that recommended by Columella. In Great Britain, and some other northern countries, the finer fruits cannot be brought to perfection but by the assistance of a wall. Their price, therefore, in such countries, must be sufficient to pay the expence of building and maintaining what they cannot be had without. The fruit-wall frequently surrounds the kitchen garden, which thus enjoys the benefit of an enclosure which its own produce could seldom pay for.

---

[1] [Ed. 1 reads 'thorns'.]

[2] [Columella, *De re rustica*, xi., 3, but the recommendation of the fence is 'Et haec quidem claudendi horti ratio maxime est antiquis probata'.]

[3] [Gesnerus' edition of Columella in *Scriptores rei rusticae* in Adam Smith's library (see Bonar's *Catalogue*, *s.v.* Gesnerus), commenting on the passage referred to above, quotes the opinions of Varro, *De re rustica*, i., 14, and Palladius, *De re rustica*, i., 34.]

and vineyards.

That the vineyard, when properly planted and brought to perfection, was the most valuable part of the farm, seems to have been an undoubted maxim in the ancient agriculture, as it is in the modern through all the wine countries. But whether it was advantageous to plant a new vineyard, was a matter of dispute among the ancient Italian husbandmen, as we learn from Columella. He decides, like a true lover of all curious cultivation, in favour of the vineyard, and endeavours to show, by a comparison of the profit and expence, that it was a most advantageous improvement.[1] Such comparisons, however, between the profit and expence of new projects, are commonly very fallacious; and in nothing more so than in agriculture. Had the gain actually made by such plantations been commonly as great as he imagined it might have been, there could have been no dispute about it. The same point is frequently at this day a matter of controversy in the wine countries. Their writers on agriculture, indeed, the lovers and promoters of high cultivation, seem generally disposed to decide with Columella in favour of the vineyard. In France the anxiety of the proprietors of the old vineyards to prevent the planting of any new ones, seems to favour their opinion, and to indicate a consciousness in those who must have the experience, that this species of cultivation is at present in that country more profitable than any other. It seems at the same time, however, to indicate another opinion, that this superior profit can last no longer than the laws which at present restrain the free cultivation of the vine. In 1731, they obtained an order of council, prohibiting both the planting of new vineyards, and the renewal of those old ones, of which the cultivation had been interrupted for two years, without a particular permission from the king, to be granted only in consequence of an information from the intendant of the province, certifying that he had examined the land, and that it was incapable of any other culture. The pretence of this order was the scarcity of corn and pasture, and the super-abundance of wine. But had this super-abundance been real, it would, without any order of council, have effectually prevented the plantation of new vineyards, by reducing the profits of this species of cultivation below their natural proportion to those of corn and pasture. With regard to the supposed scarcity of corn occasioned by the multiplication of vineyards, corn is nowhere in France more carefully cultivated than in the wine provinces, where the land is fit for producing it; as in Burgundy, Guienne, and the Upper Languedoc. The numerous hands employed in the one species of cultivation necessarily encourage the other, by affording a ready market for its produce. To diminish the number of those who are capable of paying for it, is surely a most unpromising expedient for encouraging the cultivation of corn. It is like the policy which would promote agriculture by discouraging manufactures.

---

[1] [*De re rustica*, iii., 3.]

The rent and profit of those productions, therefore, which require either a greater original expence of improvement in order to fit the land for them, or a greater annual expence of cultivation, though often much superior to those of corn and pasture, yet when they do no more than compensate such extraordinary expence, are in reality regulated by the rent and profit of those common crops.

Land fitted for a particular produce may have a monopoly,

It sometimes happens, indeed, that the quantity of land which can be fitted for some particular produce, is too small to supply the effectual demand. The whole produce can be disposed of to those who are willing to give somewhat more than what is sufficient to pay the whole rent, wages and profit necessary for raising and bringing it to market, according to their natural rates, or according to the rates at which they are paid in the greater part of other cultivated land. The surplus part of the price which remains after defraying the whole expence of improvement and cultivation may commonly, in this case, and in this case only, bear no regular proportion to the like surplus in corn or pasture, but may exceed it in almost any degree; and the greater part of this excess naturally goes to the rent of the landlord.

such as that which produces wine of a particular flavour,

The usual and natural proportion, for example, between the rent and profit of wine and those of corn and pasture, must be understood to take place only with regard to those vineyards which produce nothing but good common wine, such as can be raised almost any-where, upon any light, gravelly, or sandy soil, and which has nothing to recommend it but its strength and wholesomeness. It is with such vineyards only that the common land of the country can be brought into competition; for with those of a peculiar quality it is evident that it cannot.

The vine is more affected by the difference of soils than any other fruit tree. From some it derives a flavour which no culture or management can equal, it is supposed, upon any other. This flavour, real or imaginary, is sometimes peculiar to the produce of a few vineyards; sometimes it extends through the greater part of a small district, and sometimes through a considerable part of a large province. The whole quantity of such wines that is brought to market falls short of the effectual demand, or the demand of those who would be willing to pay the whole rent, profit and wages necessary for preparing and bringing them thither, according to the ordinary rate, or according to the rate at which they are paid in common vineyards. The whole quantity, therefore, can be disposed of to those who are willing to pay more, which necessarily raises the[1] price above that of common wine. The difference is greater or less, according as the fashionableness and scarcity of the wine render the competition of the buyers more or less eager. Whatever it be, the greater part of it goes to the rent of the landlord. For though such vineyards are in general more carefully cultivated than most others, the high price of the wine seems to be, not so much the effect, as the cause of this careful cultivation. In so valuable a produce the loss occasioned by negligence is so great as to force even the most careless to attention. A small part of this high price, therefore, is sufficient to pay the wages of the extraordinary labour bestowed upon their cultivation, and the profits of the extraordinary stock which puts that labour into motion.

or the West Indian sugar colonies,

The sugar colonies possessed by the European nations in the West Indies, may be compared to those precious vineyards. Their whole produce falls short of the effectual demand of Europe, and can be disposed of to those who are willing to give more than what is sufficient to pay the whole rent, profit and wages necessary for preparing and bringing it to market, according to the rate at which they are commonly paid by any other produce. In Cochin-china the finest white sugar commonly sells for three piastres the quintal, about thirteen shillings and sixpence of our money, as we are told by Mr. Poivre,[2] a very careful observer of the agriculture of that country. What is there called the quintal weighs from a hundred and fifty to two hundred Paris pounds, or a hundred and seventy-five Paris pounds at a medium,[3] which reduces the price of the hundred weight English to about eight shillings sterling, not a fourth part of what is commonly paid for the brown or muskavada sugars imported from our colonies, and not a sixth part of what is paid for the finest white sugar. The greater part of the cultivated lands in Cochin-china are employed in producing corn and rice, the food of the great body of the people. The respective prices of corn, rice, and sugar, are there probably in the natural proportion, or in that which naturally takes place in the different crops of the greater part of cultivated land, and which recompences the landlord and farmer, as nearly as can be computed, according to what is usually the original expence of improvement and the annual expence of cultivation. But in our sugar colonies the price of sugar bears no such proportion to that of the produce of a rice or corn field either in Europe or in America. It is commonly said, that a sugar planter expects that the rum and the molasses should defray the whole expence of his cultivation, and that his sugar should be all clear profit. If this be true, for I pretend not to affirm it, it is as if a corn farmer expected to defray the expence of his cultivation with the chaff and the straw, and that the grain should be all clear profit. We see frequently societies of merchants in London and other trading towns, purchase waste lands in our sugar colonies, which they expect to improve and cultivate with profit by means of factors and agents; notwithstanding the great distance and the uncertain returns, from the defective administration of justice in those countries. Nobody will attempt to improve and cultivate in the same manner the most fertile lands of Scotland, Ireland, or the corn provinces of North America, though from the more exact administration of justice in these countries, more regular returns might be expected.

---

[1] [Ed. 1 reads 'their'.]

[2] Voyages d'un Philosophe [*ou observations sur les mœurs et les arts des peuples de l'Afrique, de l'Asie, et de l'Amérique*, 1768, pp. 92, 93. The note appears first in ed. 2].

[3] [The French original says the Cochin-China quintal 'équivaut à 150L. 200 de nos livres, poids de marc,' which cannot possibly bear the meaning ascribed to it in the text. Probably the 150L. are pounds equal to 1⅓ of the pounds poids de marc. This would make the cwt. English worth only about seven shillings.]

and in a less degree the tobacco plantations of Virginia and Maryland.

In Virginia and Maryland the cultivation of tobacco is preferred, as more profitable, to that of corn. Tobacco might be cultivated with advantage through the greater part of Europe; but in almost every part of Europe it has become a principal subject of taxation, and to collect a tax from every different farm in the country where this plant might happen to be cultivated, would be more difficult, it has been supposed, than to levy one upon its importation at the custom-house. The cultivation of tobacco has upon this account been most absurdly prohibited through the greater part of Europe,[1] which necessarily gives a sort of monopoly to the countries where it is allowed; and as Virginia and Maryland produce the greatest quantity of it, they share largely, though with some competitors, in the advantage of this monopoly. The cultivation of tobacco, however, seems not to be so advantageous as that of sugar. I have never even heard of any tobacco plantation that was improved and cultivated by the capital of merchants who resided in Great Britain, and our tobacco colonies send us home no such wealthy planters as we see frequently arrive from our sugar islands. Though from the preference given in those colonies to the cultivation of tobacco above that of corn, it would appear that the effectual demand of Europe for tobacco is not completely supplied, it probably is more nearly so than that for sugar: And though the present price of tobacco is probably more than sufficient to pay the whole rent, wages and profit necessary for preparing and bringing it to market, according to the rate at which they are commonly paid in corn land; it must not be so much more as the present price of sugar. Our tobacco planters, accordingly, have shewn the same fear of the super-abundance of tobacco, which the proprietors of the old vineyards in France have of the super-abundance of wine. By act of assembly they have restrained its cultivation to six thousand plants, supposed to yield a thousand weight of tobacco, for every negro between sixteen and sixty years of age.[1] Such a negro, over and above this quantity of tobacco, can manage, they reckon, four acres of Indian corn.[2] To prevent the market from being overstocked too, they have sometimes, in plentiful years, we are told by Dr. Douglas,[3] (I suspect he has been ill informed) burnt a certain quantity of tobacco for every negro, in the same manner as the Dutch are said to do of spices.[4] If such violent methods are necessary to keep up the present price of tobacco, the superior advantage of its culture over that of corn, if it still has any, will not probably be of long continuance.

---

[1] [Tobacco growing in England, Ireland, and the Channel Islands was prohibited by 12 Car. II., c. 34, the preamble of which alleges that the lords and commons have considered ' of how great concern and importance it is that the colonies and plantations of this kingdom in America be defended, maintained and kept up, and that all due and possible encouragement be given unto them, and that not only in regard great and considerable dominions and countries have been thereby gained and added to the imperial crown of this realm, but for that the strength and welfare of this kingdom do very much depend upon them in regard of the employment of a very considerable part of its shipping and seamen, and of the vent of very great quantities of its native commodities and manufactures as also of its supply with several considerable commodities which it was wont formerly to have only from foreigners and at far dearer rates, and forasmuch as tobacco is one of the main products of several of those plantations and upon which their welfare and subsistence and the navigation of this kingdom and vent of its commodities thither do much depend; And in regard it is found by experience that the tobaccos planted in these parts are not so good and wholesome for the takers thereof, and that by the planting thereof Your Majesty is deprived of a considerable part of your revenue.' The prohibition was extended to Scotland by 22 Geo III., c. 73.]

So the rent of cultivated land producing food regulates that of most of the rest,

It is in this manner that the rent of the cultivated land, of which the produce is human food, regulates the rent of the greater part of other cultivated land. No particular produce can long afford less; because the land would immediately be turned to another use: And if any particular produce commonly affords more, it is because the quantity of land which can be fitted for it is too small to supply the effectual demand.

and in Europe the rent of corn

In Europe corn is the principal produce of land which serves immediately for human food. Except in particular situations, therefore, land regulates that of other cultivated land producing food.

---

[1] [William Douglass, M.D., *A Summary, Historical and Political, of the First Planting, Progressive Improvements and Present State of the British Settlements in North America*, 1760, vol. ii., pp. 359, 360 and 373.]

[2] [*Ibid.*, p. 374, but the phrase is 'an industrious man' not 'such a negro'.]

[3] Douglas's Summary, vol. ii. p. 372, 373. [This note appears first in ed. 2. In the text of ed. 1 the name is spelt 'Douglass'.]

[4] [This saying about the Dutch and spices is repeated below, vol. ii., p. 26, and again p. 135. Douglass, vol. ii., p. 372, in a note to the statement that Virginia and Maryland occasionally produce more than they can sell to advantage, which immediately precedes his account of the occasional burning of tobacco, says: 'This is sometimes the case with the Dutch East India spices and the West India sugars.']

the rent of corn land regulates in Europe that of all other cultivated land. Britain need envy neither the vineyards of France nor the olive plantations of Italy. Except in particular situations, the value of these is regulated by that of corn, in which the fertility of Britain is not much inferior to that of either of those two countries.

If the common food was such as to produce a greater surplus, rent would be higher:

If in any country the common and favourite vegetable food of the people should be drawn from a plant of which the most common land, with the same or nearly the same culture, produced a much greater quantity than the most fertile does of corn, the rent of the landlord, or the surplus quantity of food which would remain to him, after paying the labour and replacing the stock of the farmer together with its ordinary profits, would necessarily be much greater. Whatever was the rate at which labour was commonly maintained in that country, this greater surplus could always maintain a greater quantity of it, and consequently enable the landlord to purchase or command a greater quantity of it. The real value of his rent, his real power and authority, his command of the necessaries and conveniencies of life with which the labour of other people could supply him, would necessarily be much greater.

for example, rice,

A rice field produces a much greater quantity of food than the most fertile corn field. Two crops in the year from thirty to sixty bushels each, are said to be the ordinary produce of an acre. Though its cultivation, therefore, requires more labour, a much greater surplus remains after maintaining all that labour. In those rice countries, therefore, where rice is the common and favourite vegetable food of the people, and where the cultivators are chiefly maintained with it, a greater share of this greater surplus should belong to the landlord than in corn countries. In Carolina, where the planters, as in other British colonies, are generally both farmers and landlords, and where rent consequently is confounded with profit, the cultivation of rice is found to be more profitable than that of corn, though their fields produce only one crop in the year, and though, from the prevalence of the customs of Europe, rice is not there the common and favourite vegetable food of the people.

A good rice field is a bog at all seasons, and at one season a bog covered with water. It is unfit either for corn, or pasture, or vineyard, or, indeed, for any other vegetable produce that is very useful to men: And the lands which are fit for those purposes, are not fit for rice. Even in the rice countries, therefore, the rent of rice lands cannot regulate the rent of the other cultivated land which can never be turned to that produce.

The food produced by a field of potatoes is not inferior in quantity to that produced by a field of rice, and much superior to what is produced by a field of wheat. Twelve thousand weight of potatoes from an acre of land is not a greater produce than two thousand weight of wheat. The food or solid nourishment, indeed, which can be drawn from each of those two plants, is not altogether in proportion to their weight, on account of the watery nature of potatoes. Allowing, however, half the weight of this root to go to water, a very large allowance, such an acre of potatoes will still produce six thousand weight of solid nourishment, three times the quantity produced by the acre of wheat. An acre of potatoes is cultivated with less expence than an acre of wheat; the fallow, which generally precedes the sowing of wheat, more than compensating the hoeing and other extraordinary culture which is always given to potatoes. Should this root ever become in any part of Europe, like rice in some rice countries, the common and favourite vegetable food of the people, so as to occupy the same proportion of the lands in tillage which wheat and other sorts of grain for human food do at present, the same quantity of cultivated land would maintain a much greater number of people, and the labourers being generally fed with potatoes, a greater surplus would remain after replacing all the stock and maintaining all the labour employed in cultivation. A greater share of this surplus too would belong to the landlord. Population would increase, and rents would rise much beyond what they are at present.

or potatoes.

The land which is fit for potatoes, is fit for almost every other useful vegetable. If they occupied the same proportion of cultivated land which corn does at present, they would regulate, in the same manner, the rent of the greater part of other cultivated land.

Wheat is probably a better food than oats,

In some parts of Lancashire it is pretended, I have been told, that bread of oatmeal is a heartier food for labouring people than wheaten bread, and I have frequently heard the same doctrine held in Scotland. I am, however, somewhat doubtful of the truth of it. The common people in Scotland, who are fed with oatmeal, are in general neither so strong nor so handsome as the same rank of people in England, who are fed with wheaten bread. They neither work so well, nor look so well; and as there is not the same difference between the people of fashion in the two countries, experience would seem to show, that the food of the common people in Scotland is not so suitable to the human constitution as that of their neighbours of the same rank in England.[1] But it seems to be otherwise with potatoes. The chairmen, porters, and coal-

but not than potatoes.

---

[1] [The inferiority of oatmeal has already been asserted above. p. 77.]

heavers in London, and those unfortunate women who live by prostitution, the strongest men and the most beautiful women perhaps in the British dominions, are said to be, the greater part of them, from the lowest rank of people in Ireland, who are generally fed with this root. No food can afford a more decisive proof of its nourishing quality, or of its being peculiarly suitable to the health of the human constitution.

Potatoes, however, are perishable.

It is difficult to preserve potatoes through the year, and impossible to store them like corn, for two or three years together. The fear of not being able to sell them before they rot, discourages their cultivation, and is, perhaps, the chief obstacle to their ever becoming in any great country, like bread, the principal vegetable food of all the different ranks of the people.

PART II

Of the Produce of Land which sometimes does, and sometimes does not, afford Rent

HUMAN food seems to be the only produce of land which always and necessarily affords some rent to the landlord. Other sorts of produce sometimes may and sometimes may not, according to different circumstances.

The materials of clothing and lodging, at first superabundant, come in time to afford a rent.

After food, cloathing and lodging are the two great wants of mankind.

Land in its original rude state can afford the materials of cloathing and lodging to a much greater number of people than it can feed. In its improved state it can sometimes feed a greater number of people than it can supply with those materials; at least in the way in which they require them, and are willing to pay for them. In the one state, therefore, there is always a super-abundance of those materials, which are frequently, upon that account, of little or no value. In the other there is often a scarcity, which necessarily augments their value. In the one state a great part of them is thrown away as useless, and the price of what is used is considered as equal only to the labour and expence of fitting it for use, and can, therefore, afford no rent to the landlord. In the other they are all made use of, and there is frequently a demand for more than can be had. Somebody is always[1] willing to give more for every part of them than what is sufficient to pay the expence of bringing them to market. Their price, therefore, can always afford some rent to the landlord.

---

[1] [This 'always' is qualified almost to the extent of contradiction on p. 165, below.]

For example, hides and wool,

The skins of the larger animals were the original materials of cloathing. Among nations of hunters and shepherds, therefore, whose food consists chiefly in the flesh of those animals, every man, by providing himself with food, provides himself with the materials of more cloathing than he can wear. If there was no foreign commerce, the greater part of them would be thrown away as things of no value. This was probably the case among the hunting nations of North America, before their country was discovered by the Europeans, with whom they now exchange their surplus peltry, for blankets, fire-arms, and brandy, which gives it some value. In the present commercial state of the known world, the most barbarous nations, I believe, among whom land property is established, have some foreign commerce of this kind, and find among their wealthier neighbours such a demand for all the materials of cloathing, which their land produces, and which can neither be wrought up nor consumed at home, as raises their price above what it costs to send them to those wealthier neighbours.[1] It affords, therefore, some rent to the landlord. When the greater part of the highland cattle were consumed on their own hills, the exportation of their hides made the most considerable article of the commerce of that country, and what they were exchanged for afforded some addition to the rent of the highland estates.[2] The wool of England, which in old times could neither be consumed nor wrought up at home, found a market in the then wealthier and more industrious country of Flanders, and its price afforded something to the rent of the land which produced it. In countries not better cultivated than England was then, or than the highlands of Scotland are now, and which had no foreign commerce, the materials of cloathing would evidently be so super-abundant, that a great part of them would be thrown away as useless, and no part could afford any rent to the landlord.

stone and timber.

The materials of lodging cannot always be transported to so great a distance as those of cloathing, and do not so readily become an object of foreign commerce. When they are super-abundant in the country which produces them, it frequently happens, even in the present commercial state of the world, that they are of no value to the landlord. A good stone quarry in the neighbourhood of London would afford a considerable rent. In many parts of Scotland and Wales it affords none. Barren timber for building is of great value in a populous and well-cultivated country, and the land which produces it affords a considerable rent. But in many parts of North America the landlord would be much obliged to any body who would carry away the greater part of his large trees. In some parts of the highlands of Scotland the bark is the only part of the wood which, for want of roads and water-carriage, can be sent to market. The timber is left to rot upon the ground. When the materials of lodging are so superabundant, the part made use of is worth only the labour and expence of fitting it for that use. It affords no rent to the landlord, who generally grants the use of it to whoever takes the trouble of asking it. The demand of wealthier nations, however, sometimes enables him to get a rent for it. The paving of the streets of London has enabled the owners of some barren rocks on the coast of Scotland to draw a rent from what never afforded any before. The woods of Norway and of the coasts of the Baltic, find a market in many parts of Great Britain which they could not find at home, and thereby afford some rent to their proprietors.

---

[1] [Ed. 1 reads 'thither'.]

[2] [Above, p. 150, and below, p. 219.]

Population depends on food ·

Countries are populous, not in proportion to the number of people whom their produce can cloath and lodge, but in proportion to that of those whom it can feed. When food is provided, it is easy to find the necessary cloathing and lodging. But though these are at hand, it may often be difficult to find food. In some parts even of the British dominions what is called A House, may be built by one day's labour of one man. The simplest species of cloathing, the skins of animals, require somewhat more labour to dress and prepare them for use. They do not, however, require a great deal. Among savage and barbarous nations, a hundredth or little more than a hundredth part of the labour of the whole year, will be sufficient to provide them with such cloathing and lodging as satisfy the greater part of the people. All the other ninety-nine parts are frequently no more than enough to provide them with food.

so the demand for the materials of clothing and lodging is increased by greater ease of obtaining food,

But when by the improvement and cultivation of land the labour of one family can provide food for two, the labour of half the society becomes sufficient to provide food for the whole. The other half, therefore, or at least the greater part of them, can be employed in providing other things, or in satisfying the other wants and fancies of mankind. Cloathing and lodging, houshold furniture, and what is called Equipage, are the principal objects of the greater part of those wants and fancies. The rich man consumes no more food than his poor neighbour. In quality it may be very different, and to select and prepare it may require more labour and art; but in quantity it is very nearly the same. But compare the spacious palace and great wardrobe of the one, with the hovel and the few rags of the other, and you will be sensible that the difference between their cloathing, lodging, and houshold furniture, is almost as great in quantity as it is in quality. The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniencies and ornaments of building, dress, equipage, and houshold furniture, seems to have no limit or certain boundary. Those, therefore, who have the command of more food than they themselves can consume, are always willing to exchange the surplus, or, what is the same thing, the price of it, for gratifications of this other kind. What is over and above satisfying the limited desire, is given for the amusement of those desires which cannot be satisfied, but seem to be altogether endless. The poor, in order to obtain food, exert themselves to gratify those fancies of the rich, and to obtain it more certainly, they vie with one another in the cheapness and perfection of their work. The number of workmen increases with the increasing quantity of food, or with the growing improvement and cultivation of the lands; and as the nature of their business admits of the utmost subdivisions of labour, the quantity of materials which they can work up, increases in a much greater proportion than their numbers. Hence arises a demand for every sort of material which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or houshold furniture; for the fossils and minerals contained in the bowels of the earth, the precious metals, and the precious stones.

which thus makes them afford rent.

Food is in this manner, not only the original source of rent, but every other part of the produce of land which afterwards affords rent, derives that part of its value from the improvement of the powers of labour in producing food by means of the improvement and cultivation of land.[1]

They do not, however, even then always afford rent:

Those other parts of the produce of land, however, which afterwards afford rent, do not afford it always. Even in improved and cultivated countries, the demand for them is not always such as to afford a greater price than what is sufficient to pay the labour, and replace, together with its ordinary profits, the stock which must be employed in bringing them to market. Whether it is or is not such, depends upon different circumstances.

for example, some coal-mines are too barren to afford rent,

Whether a coal-mine, for example, can afford any rent, depends partly upon its fertility, and partly upon its situation.

A mine of any kind may be said to be either fertile or barren, according as the quantity of mineral which can be brought from it by a certain quantity of labour, is greater or less than what can be brought by an equal quantity from the greater part of other mines of the same kind.

---

[1] [This and the two preceding paragraphs appear to be based on the dissertation on the natural wants of mankind in *Lectures*, pp. 157-161; cp. *Moral Sentiments*, 1759, p. 349.]

Some coal-mines advantageously situated, cannot be wrought on account of their barrenness. The produce does not pay the expence. They can afford neither profit nor rent.

There are some of which the produce is barely sufficient to pay the labour,[1] and replace, together with its ordinary profits, the stock employed in working them. They afford some profit to the undertaker of the work, but no rent to the landlord. They can be wrought advantageously by nobody but the landlord, who being himself undertaker of the work, gets the ordinary profit of the capital which he employs in it. Many coal-mines in Scotland are wrought in this manner, and can be wrought in no other. The landlord will allow nobody else to work them without paying some rent, and nobody can afford to pay any.

or too disadvantageously situated.

Other coal-mines in the same country sufficiently fertile, cannot be wrought on account of their situation. A quantity of mineral sufficient to defray the expence of working, could be brought from the mine by the ordinary, or even less than the ordinary quantity of labour: But in an inland country, thinly inhabited, and without either good roads or water-carriage, this quantity could not be sold.

The price of coal is kept down by that of wood,

Coals are a less agreeable fewel than wood: they are said too to be less wholesome. The expence of coals, therefore, at the place where they are consumed, must generally be somewhat less than that of wood.

which varies with the state of agriculture.

The price of wood again varies with the state of agriculture, nearly in the same manner, and exactly for the same reason, as the price of cattle. In its rude beginnings the greater part of every country is covered with wood, which is then a mere incumbrance of no value to the landlord, who would gladly give it to any body for the cutting. As agriculture advances, the woods are partly cleared by the progress of tillage, and partly go to decay in consequence of the increased number of cattle. These, though they do not increase in the same proportion as corn, which is altogether the acquisition of human industry, yet multiply under the care and protection of men; who store up in the season of plenty what may maintain them in that of scarcity, who through the whole year furnish them with a greater quantity of food than uncultivated nature provides for them, and who by destroying and extirpating their enemies, secure them in the free enjoyment of all that she provides. Numerous herds of cattle, when allowed to wander through the woods, though they do not destroy the old trees, hinder any young ones from coming up, so that in the course of a century or two the whole forest goes to ruin. The scarcity of wood then raises its price. It affords a good rent, and the landlord sometimes finds that he can scarce employ his best lands more advantageously than in growing barren timber, of which the greatness of the profit often compensates the lateness of the returns. This seems in the present times to be nearly the state of things in several parts of Great Britain, where the profit of planting is found to be equal to that of either corn or pasture. The advantage which the landlord derives from planting, can no-where exceed, at least for any considerable time, the rent which these could afford him; and in an inland country which is highly cultivated, it will frequently not fall much short of this rent. Upon the sea-coast of a well-improved country, indeed, if coals can conveniently be had for fewel,[1] it may sometimes be cheaper to bring barren timber for building from less cultivated foreign countries, than to raise it at home. In the new town of Edinburgh, built within these few years,[2] there is not, perhaps, a single stick of Scotch timber

---

[1] [Misprinted 'labourer' in ed. 5.]

But in the coal countries coal is everywhere much below this price.

Whatever may be the price of wood, if that of coals is such that the expence of a coal-fire is nearly equal to that of a wood one, we may be assured, that at that place, and in these circumstances, the price of coals is as high as it can be. It seems to be so in some of the inland parts of England, particularly in Oxfordshire, where it is usual, even in the fires of the common people, to mix coals and wood together, and where the difference in the expence of those two sorts of fewel cannot, therefore, be very great.

Coals, in the coal countries, are every-where much below this highest price. If they were not, they could not bear the expence of a distant carriage, either by land or by water. A small quantity only could be sold, and the coal masters and coal proprietors find it more for their interest to sell a great quantity at a price somewhat above the lowest, than a small quantity at the highest. The most fertile coal-mine too, regulates the price of coals at all the other mines in its neighbourhood.[3] Both the proprietor and the undertaker of the work find, the one that he can get a greater rent, the other that he can get a greater profit, by somewhat underselling all their neighbours. Their neighbours are soon obliged to sell at the same price, though they cannot so well afford it, and though it always diminishes, and sometimes takes away altogether both their rent and their profit. Some works are abandoned altogether; others can afford no rent, and can be wrought only by the proprietor.

---

[1] [Ed. 1 reads 'if it can conveniently get coals for fewel'.]

[2] [The North Bridge was only made passable in 1772: in 1778 the buildings along Princes Street had run to a considerable length, and St. Andrew's Square and the streets connected with it were almost complete. A plan of that date shows the whole block between Queen Street and Princes Street (Arnot, *History of Edinburgh*, 1779, pp. 233, 315, 318, 319).]

[3] [Buchanan (ed. of *Wealth of Nations*, vol. i., p. 279), commenting on this passage, remarks judiciously: 'It is not by the produce of one coal mine, however fertile, but by the joint produce of all the coal mines that can be worked, that the price of coals is fixed. A certain quantity of coals only can be consumed at a certain price. If the mines that can be worked produce more than this quantity the price will fall; if they produce less it will rise.']

The lowest possible price is that which only replaces stock with profits.

The lowest price at which coals can be sold for any considerable time, is, like that of all other commodities, the price which is barely sufficient to replace, together with its ordinary profits, the stock which must be employed in bringing them to market. At a coal-mine for which the landlord can get no rent, but which he must either work himself or let it alone altogether, the price of coals must generally be nearly about this price.

Rent forms a smaller proportion of the price of coal than of that of most other rude produce.

Rent, even where coals afford one, has generally a smaller share in their price than in that of most other parts of the rude produce of land. The rent of an estate above ground, commonly amounts to what is supposed to be a third of the gross produce; and it is generally a rent certain and independent of the occasional variations in the crop. In coal-mines a fifth of the gross produce is a very great rent; a tenth the common rent, and it is seldom a rent certain, but depends upon the occasional variations in the produce. These are so great, that in a country where thirty years purchase is considered as a moderate price for the property for a landed estate, ten years purchase is regarded as a good price for that of a coal-mine.

The situation of a metallic mine is less important than that of a coal mine,

The value of a coal-mine to the proprietor frequently depends[1] as much upon its situation as upon its fertility. That of a metallic mine depends more upon its fertility, and less upon its situation. The coarse, and still more the precious metals, when separated from the ore, are so valuable that they can generally bear the expence of a very long land, and of the most distant sea carriage. Their market is not confined to the countries in the neighbourhood of the mine, but extends to the whole world. The copper of Japan makes an article of commerce in Europe;[2] the iron of Spain in that of Chili and Peru. The silver of Peru finds its way, not only to Europe, but from Europe to China.

metals from all parts of the world being brought into competition.

The price of coals in Westmorland or Shropshire can have little effect on their price at Newcastle; and their price in the Lionnois can have none at all. The productions of such distant coal-mines can never be brought into competition with one another. But the productions of the most distant metallic mines frequently may, and in fact commonly are. The price, therefore, of the coarse, and still more that of the precious metals, at the most fertile mines in the world, must necessarily more or less affect their price at every other in it. The price of copper in Japan must have some influence upon its price at the copper mines in Europe. The price of silver in Peru, or the quantity either of labour or of other goods which it will purchase there, must have some influence on its price, not only at the silver mines of Europe, but at those of China. After the discovery of the mines of Peru, the silver mines of Europe were, the greater part of them, abandoned. The value of silver was so much reduced that their produce could no longer pay the expence of working them, or replace, with a profit, the food, cloaths, lodging and other necessaries which were consumed in that operation. This was the case too with the mines of Cuba and St. Domingo, and even with the ancient mines of Peru, after the discovery of those of Potosi.

---

[1] [Ed. 1 reads 'depends frequently'.]

[2] [Ed. 1 reads 'article in the commerce of Europe'.]

Rent has therefore a small share in the price of metals.

The price of every metal at every mine, therefore, being regulated in some measure by its price at the most fertile mine in the world that is actually wrought, it can at the greater part of mines do very little more than pay the expence of working, and can seldom afford a very high rent to the landlord. Rent, accordingly, seems at the greater part of mines to have but a small share in the price of the coarse, and a still smaller in that of the precious metals. Labour and profit make up the greater part of both.

Tin and lead mines pay a sixth in Cornwall and Scotland.

A sixth part of the gross produce may be reckoned the average rent of the tin mines of Cornwall, the most fertile that are known in the world, as we are told by the Rev. Mr. Borlace, vice-warden of the stannaries. Some, he says, afford more, and some do not afford so much.[1] A sixth part of the gross produce is the rent too of several very fertile lead mines in Scotland.

The silver mines of Peru formerly paid a fifth,

In the silver mines of Peru, we are told by Frezier and Ulloa, the proprietor frequently exacts no other acknowledgment from the undertaker of the mine, but that he will grind the ore at his mill, paying him the ordinary multure or price of grinding.[2] Till 1736, indeed, the tax of the king of Spain amounted to one-fifth of the standard silver, which till then might be considered as the real rent of the greater part of the silver mines of Peru, the richest which have been known in the world. If there had been no tax, this fifth would and now only a tenth,

---

[1] [*Natural History of Cornwall*, by William Borlase, 1758, p. 175, but nothing is there said as to the landlord sometimes receiving more than one-sixth.]

[2] ['Those who are willing to labour themselves easily obtain of the miner a vein to work on; what they get out of it is their own, paying him the King's duty and the hire of the mill, which is so considerable that some are satisfied with the profit it yields without employing any to work for them in the mines.'—Frezier, *Voyage to the South Sea and along the Coasts of Chili and Peru in the Years* 1712, 1713 *and* 1714, *with a Postscript by Dr. Edmund Halley*, 1717, p. 109. For Ulloa see below, p. 171, note.]

naturally have belonged to the landlord, and many mines might have been wrought which could not then be wrought, because they could not afford this tax.[1] The tax of the duke of Cornwall upon tin is supposed to amount to more than five per cent. or one-twentieth part of the value;[2] and whatever may be his proportion, it would naturally too belong to the proprietor of the mine, if tin was duty free. But if you add one-twentieth to one-sixth, you will find that the whole average rent of the tin mines of Cornwall, was[3] to the whole average rent of the silver mines of Peru, as thirteen to twelve. But the silver mines of Peru are not now able to pay even this low rent, and the tax upon silver was, in 1736, reduced from one-fifth to one-tenth.[4] Even this tax upon silver too gives more temptation to smuggling than the tax of one-twentieth upon tin; and smuggling must be much easier in the precious than in the bulky commodity. The tax of the king of Spain accordingly is said to be very ill paid, and that of the duke of Cornwall very well. Rent, therefore, it is probable, makes a greater part of the price of tin at the most fertile tin mines, than it does of silver at the most fertile silver mines in the world. After replacing the stock employed in working those different mines, together with its ordinary profits, the residue which remains to the proprietor, is greater it seems in the coarse, than in the precious metal.

while profits are small.

Neither are the profits of the undertakers of silver mines commonly very great in Peru. The same most respectable and well informed authors acquaint us, that when any person undertakes to work a new mine in Peru, he is universally looked upon as a man destined to bankruptcy and ruin, and is upon that account shunned and avoided by every body.[5] Mining, it seems, is considered there in the same light as here, as a lottery, in which the prizes do not compensate the blanks, though the greatness of some tempts many adventurers to throw away their fortunes in such unprosperous projects.

---

[1] [In place of these two sentences ed. 1 reads, 'The tax of the King of Spain, indeed, amounts to one-fifth of the standard silver, which may be considered as the real rent of the greater part of the silver mines of Peru, the richest which are known in the world. If there was no tax, this fifth would naturally belong to the landlord, and many mines might be wrought which cannot be wrought at present, because they cannot afford this tax.']

[2] [The sum of more than £10,000 paid on £190,954 worth of produce is mentioned by Borlase. The duty was 4s. per cwt.—*Natural History of Cornwall*, p. 183.]

[3] [Ed. 1 reads 'is'.]

[4] [The reduction is mentioned again below, pp. 201, 214. Ed. 1 does not contain this sentence, and begins the next with 'The high tax upon silver, too, gives much greater temptation to smuggling than the low tax upon tin'.]

[5] ['Quand un homme témoigne avoir dessein de fouiller dans quelque mine, les autres le regardent comme un extravagant qui court à sa perte, et qui risque une ruine certaine pour des espérances éloignées et très-douteuses. Ils tâchent de le détourner de son dessein, et s'ils n'y peuvent réussir, ils le fuyent en l'évitant, comme s'ils craignaient qu'il ne leur communiquât son mal.'—*Voyage historique de l'Amérique méridionale par don George Juan et par don Antoine de Ulloa*, 1752, tom. i., p. 379. The statement relates to the province of Quito, and the condition of things is contrasted with that prevailing in Peru proper. For Frezier see next page, note 4.]

Mining is encouraged in Peru by the interest of the sovereign.

As the sovereign, however, derives a considerable part of his revenue from the produce of silver mines, the law in Peru gives every possible encouragement to the discovery and working of new ones. Whoever discovers a new mine, is entitled to measure off two hundred and forty-six feet in length, according to what he supposes to be the direction of the vein, and half as much in breadth.[1] He becomes proprietor of this portion of the mine, and can work it without paying any acknowledgment to the landlord. The interest of the duke of Cornwall has given occasion to a regulation nearly of the same kind in that ancient dutchy. In waste and uninclosed lands any person who discovers a tin mine, may mark out its limits to a certain extent, which is called bounding a mine. The bounder becomes the real proprietor of the mine, and may either work it himself, or give it in lease to another, without the consent of the owner of the land, to whom, however, a very small acknowledgment must be paid upon working it.[2] In both regulations the sacred rights of private property are sacrificed to the supposed interests of public revenue.

The gold mines of Peru now pay only a twentieth in rent.

The same encouragement is given in Peru to the discovery and working of new gold mines; and in gold the king's tax amounts only to a twentieth part of the standard metal. It was once a fifth, and afterwards a tenth, as in silver; but it was found that the work could not bear even the lowest of these two taxes.[3] If it is rare, however, say the same authors, Frezier and Ulloa, to find a person who has made his fortune by a silver, it is still much rarer to find one who has done so by a gold mine.[4] This twentieth part seems to be the whole rent which is paid by the greater part of the gold mines in Chili and Peru. Gold too is much more liable to be smuggled than even silver; not only on account of the superior value of the metal in proportion to its bulk, but on account of the peculiar way in which nature produces it. Silver is very seldom found virgin, but, like most other metals, is generally mineralized with some other body, from which it is impossible to separate it in such quantities as will pay for the expence, but by a very laborious and tedious operation, which cannot well be carried on but in workhouses erected for the purpose, and therefore exposed to the inspection of the king's officers. Gold, on the contrary, is almost always found virgin. It is sometimes found in pieces of some bulk; and even when mixed in small and almost insensible particles with sand, earth, and other extraneous bodies, it can be separated from them by a very short and simple operation, which can be carried on in any private house by any body who is possessed of a small quantity of mercury. If the king's tax, therefore, is but ill paid upon silver, it is likely to be much worse paid upon gold; and rent must make a much smaller part of the price of gold, than even of that of silver.

---

[1] [Frezier, *Voyage*, p. 109.]

[2] [Borlase, *Natural History of Cornwall*, pp. 167, 175. If the land was 'bounded' (bounding could only take place on 'wastrel or common') the lord of the soil received only a fifteenth.]

[3] [Ed. 1 reads 'It was once a fifth, as in silver, but it was found the work could not bear it.']

[4] [' It is more rare to see a gold miner rich than a silver miner or of any other metal.'—Frezier, *Voyage*, p. 108. There seems nothing in either Frezier or Ulloa to indicate that they took the gloomy view of the prospects of the gold and silver miner which is ascribed to them in the text. From this and the curious way in which they are coupled together, here and above (pp. 169, 170), and also the fact that no mention is made of the title of either of their books, it seems probable that Smith is quoting from memory or from notes which had become mixed. It is possible that he confused Frezier with Ulloa's collaborator, Don George Juan, but Ulloa is quoted without Frezier above, p. 149, and below, p. 186.]

The lowest price of the precious metals must replace stock with ordinary profits,

The lowest price at which the precious metals can be sold, or the smallest quantity of other goods for which they can be exchanged during any considerable time, is regulated by the same principles which fix the lowest ordinary price of all other goods. The stock which must commonly be employed, the food, cloaths, and lodging which must commonly be consumed in bringing them from the mine to the market, determine it. It must at least be sufficient to replace that stock, with the ordinary profits.

but their highest price is determined by their scarcity.

Their highest price, however, seems not to be necessarily determined by any thing but the actual scarcity or plenty of those metals themselves. It is not determined by that of any other commodity, in the same manner as the price of coals is by that of wood, beyond which no scarcity can ever raise it. Increase the scarcity of gold to a certain degree, and the smallest bit of it may become more precious than a diamond, and exchange for a greater quantity of other goods.

The demand for them arises from their utility and beauty:

The demand for those metals arises partly from their utility, and partly from their beauty. If you except iron, they are more useful than, perhaps, any other metal. As they are less liable to rust and impurity, they can more easily be kept clean; and the utensils either of the table or the kitchen are often upon that account more agreeable when made of them. A silver boiler is more cleanly that a lead, copper, or tin one; and the same quality would render a gold boiler still better than a silver one. Their principal merit, however, arises from their beauty, which renders them peculiarly fit for the ornaments of dress and furniture. No paint or dye can give so splendid a colour as gilding. The merit of their beauty is greatly enhanced by their

and the merit of beauty is enhanced by their scarcity.

scarcity. With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eye is never so complete as when they appear to possess those decisive marks of opulence which nobody can possess but themselves. In their eyes the merit of an object which is in any degree either useful or beautiful, is greatly enhanced by its scarcity, or by the great labour which it requires to collect any considerable quantity of it, a labour which nobody can afford to pay but themselves. Such objects they are willing to purchase at a higher price than things much more beautiful and useful, but more common. These qualities of utility, beauty, and scarcity, are the original foundation of the high price of those metals, or of the great quantity of other goods for which they can every-where be exchanged. This value was antecedent to and independent of their being employed as coin, and was the quality which fitted them for that employment. That employment, however, by occasioning a new demand, and by diminishing the quantity which could be employed in any other way, may have afterwards contributed to keep up or increase their value.

The demand for precious stones arises altogether from their beauty enhanced by their scarcity.

The demand for the precious stones arises altogether from their beauty. They are of no use, but as ornaments; and the merit of their beauty is greatly enhanced by their scarcity, or by the difficulty and expence of getting them from the mine. Wages and profit accordingly make up, upon most occasions, almost the whole of their high price. Rent comes in but for a very small share; frequently for no share; and the most fertile mines only afford any considerable rent. When Tavernier, a jeweller, visited the diamond mines of Golconda and Visiapour, he was informed that the sovereign of the country, for whose benefit they were wrought, had ordered all of them to be shut up, except those which yielded the largest and finest stones.[1] The others, it seems, were to the proprietor not worth the working.

The rent of mines of precious metals and precious stones is in proportion to their

As the price both of the precious metals and of the precious stones is regulated all over the world by their price at the most fertile mine in it, the rent which a mine of either can afford to its proprietor is in proportion, not to its absolute, but to what may be called its relative fertility, or to its superiority over other mines of the same kind. If relative and not to their absolute fertility.

---

[1] [*The Six Voyages of John Baptista Tavernier, a noble man of France now living, through Turkey into Persia and the East Indies*, translated by J. P., 1678, does not appear to contain any such statement. Possibly it is merely founded on Tavernier's remark that 'there was a mine discovered between Coulour and Raolconda, which the King caused to be shut up again by reason of some cheats that were used there; for they found therein that sort of stones which had this green outside, fair and transparent, and which appeared more fair than the others, but when they came to the mill they crumbled to pieces' (pt. ii., p. 138). In eds. 4 and 5 'yielded' is misprinted 'yield'.]

new mines were discovered as much superior to those of Potosi as they were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working. Before the discovery of the Spanish West Indies, the most fertile mines in Europe may have afforded as great a rent to their proprietor as the richest mines in Peru do at present. Though the quantity of silver was much less, it might have exchanged for an equal quantity of other goods, and the proprietor's share might have enabled him to purchase or command an equal quantity either of labour or of commodities. The value both of the produce and of the rent, the real revenue which they afforded both to the public and to the proprietor, might have been the same.

Abundant supplies would add little to the wealth of the world.

The most abundant mines either of the precious metals or of the precious stones could add little to the wealth of the world. A produce of which the value is principally derived from its scarcity, is necessarily degraded by its abundance. A service of plate, and the other frivolous ornaments of dress and furniture, could be purchased for a smaller quantity of labour, or for a smaller quantity of commodities; and in this would consist the sole advantage which the world could derive from that abundance.

But in estates above ground both produce and rent are regulated by absolute fertility.

It is otherwise in estates above ground. The value both of their produce and of their rent is in proportion to their absolute, and not to their relative fertility. The land which produces a certain quantity of food, cloaths, and lodging, can always feed, cloath, and lodge a certain number of people; and whatever may be the proportion of the landlord, it will always give him a proportionable command of the labour of those people, and of the commodities with which that labour can supply him. The value of the most barren lands is not diminished by the neighbourhood of the most fertile. On the contrary, it is generally increased by it. The great number of people maintained by the fertile lands afford a market to many parts of the produce of the barren, which they could never have found among those whom their own produce could maintain.

Abundance of food raises the value of other produce.

Whatever increases the fertility of land in producing food, increases not only the value of the lands upon which the improvement is bestowed, but contributes likewise to increase that of many other lands, by creating a new demand for their produce. That abundance of food, of which, in consequence of the improvement of land, many people have the disposal beyond what they themselves can consume, is the great cause of the demand both for the precious metals and the precious stones, as well as for every other conveniency and ornament of dress, lodging, houshold furniture, and equipage. Food not only constitutes the principal part of the riches of the world, but it is the abundance of food which gives the principal part of their value to many other sorts of riches. The poor inhabitants of Cuba and St. Domingo, when they were first discovered by the Spaniards, used to wear little bits of gold as ornaments in their hair and other parts of their dress. They seemed to value them as we would do any little pebbles of somewhat more than ordinary beauty, and to consider them as just worth the picking up, but not worth the refusing to any body who asked them. They gave them to their new guests at the first request, without seeming to think that they had made them any very valuable present. They were astonished to observe the rage of the Spaniards to obtain them; and had no notion that there could anywhere be a country in which many people had the disposal of so great a superfluity of food, so scanty always among themselves, that for a very small quantity of those glittering baubles they would willingly give as much as might maintain a whole family for many years. Could they have been made to understand this, the passion of the Spaniards would not have surprised them.

PART III

Of the Variations in the Proportion between the respective Values of that Sort of Produce which always affords Rent, and of that which sometimes does and sometimes does not afford Rent

The general course of progress is for produce other than food to become dearer,

THE increasing abundance of food, in consequence of increasing improvement and cultivation, must necessarily increase the demand for every part of the produce of land which is not food, and which can be applied either to use or to ornament. In the whole progress of improvement, it might therefore be expected, there should be only one variation in the comparative values of those two different sorts of produce. The value of that sort which sometimes does and sometimes does not afford rent, should constantly rise in proportion to that which always affords some rent. As art and industry advance, the materials of cloathing and lodging, the useful fossils and minerals of the earth, the precious metals and the precious stones should gradually come to be more and more in demand, should gradually exchange for a greater and a greater quantity of food, or in other words, should gradually become dearer and dearer. This accordingly has been the case with most of these things upon most occasions, and would have been the case with all of them upon all occasions, if particular accidents had not upon some occasions increased the supply of some of them in a still greater proportion than the demand.

but there are interruptions,

The value of a free-stone quarry, for example, will necessarily increase with the increasing improvement and population of the country round about it; especially if it should be the only one in the neighbourhood. But the value of a silver mine, even though there should not be another within a thousand miles of it, will not necessarily increase with the improvement of the country in which it is situated. The market for the produce of a free-stone quarry can seldom extend more than a few miles round about it, and the demand must generally be in proportion to the improvement and population of that small district. But the market for the produce of a silver mine may extend over the whole known world. Unless the world in general, therefore, be advancing in improvement and population, the demand for silver might not be at all increased by the improvement even of a large country in the neighbourhood of the mine. Even though the world in general were improving, yet, if, in the course of its improvement, new mines should be discovered, much more fertile than any which had been known before, though the demand for silver would necessarily increase, yet the supply might increase in so much a greater proportion, that the real price of that metal might gradually fall; that is, any given quantity, a pound weight of it, for example, might gradually purchase or command a smaller and a smaller quantity of labour, or exchange for a smaller and a smaller quantity of corn, the principal part of the subsistence of the labourer.

as in the case of silver,

when new fertile mines are discovered.

The great market for silver is the commercial and civilized part of the world.

Silver would grow dearer in the general progress of improvement,

If by the general progress of improvement the demand of this market should increase, while at the same time the supply did not increase in the same proportion, the value of silver would gradually rise in proportion to that of corn. Any given quantity of silver would exchange for a greater and a greater quantity of corn; or, in other words, the average money price of corn would gradually become cheaper and cheaper.

but might grow cheaper if some accident increased the supply for many years together:

If, on the contrary, the supply by some accident should increase for many years together in a greater proportion than the demand, that metal would gradually become cheaper and cheaper; or, in other words, the average money price of corn would, in spite of all improvements, gradually become dearer and dearer.

But if, on the other hand, the supply of the metal should increase nearly in the same proportion as the demand, it would continue to purchase or exchange for nearly the same quantity of corn, and the average money price of corn would, in spite of all improvements, continue very nearly the same.

or remain stationary if demand and supply increased equally.

These three seem to exhaust all the possible combinations of events which can happen in the progress of improvement; and during the course of the four centuries preceding the present, if we may judge by what has happened both in France and Great Britain, each of those three different combinations seem[1] to have taken place in the European market, and nearly in the same order too in which I have here set them down.

These three things have happened during the last 400 years.

Digression concerning the Variations in the Value of Silver during the Course of the Four last Centuries

FIRST PERIOD

IN 1350, and for some time before, the average price of the quarter of wheat in England seems not to have been estimated lower than four ounces of silver, Tower-weight, equal to about twenty shillings of our present money. From this price it seems to have fallen gradually to two ounces of silver, equal to about ten shillings of our present money, the price at which we find it estimated in the beginning of the sixteenth century, and at which it seems to have continued to be estimated till about 1570.[2]

From 1350 to 1570 silver gradually fell.

In 1350, being the 25th of Edward III, was enacted what is called, The statute of labourers.[3] In the preamble it complains much of the insolence of servants, who endeavoured to raise their wages upon their masters.[4] It therefore ordains, that all servants and labourers should for the future be contented with the same wages and liveries (liveries

In 1350 wheat was 4 oz. of silver per quarter.

---

[1] [Ed. 1 reads 'seems'.]

[2] [The evidence for this statement, which does not agree with the figures in the table at the end of the chapter, is given in the next eleven paragraphs.]

[3] [Already quoted above, p. 132.]

[4] [It speaks of the Act of 1349, which ordered a continuance of wages at the level of 20 Edward III., and five or six years before (1347 or 1348 to 1353), as having been passed 'against the malice of servants which were idle and not willing to serve after the pestilence without taking excessive wages,' and gives as the reason for new provisions 'forasmuch as it is given the King to understand in this present Parliament by the petition of the commonalty that the said servants having no regard to the said ordinance, but to their ease and singular covetise, do withdraw themselves to serve great men and other, unless they have livery and wages to the double or treble of that they were wont to take the said twentieth year and before, to the great damage of the great men and impoverishing of all the said commonalty, whereof the said commonalty prayeth remedy.']

in those times signified, not only cloaths, but provisions) which they had been accustomed to receive in the 20th year of the king, and the four preceding years;[1] that upon this account their livery wheat should no-where be estimated higher than ten-pence a bushel, and that it should always be in the option of the master to deliver them either the wheat or the money. Ten-pence a bushel, therefore, had, in the 25th of Edward III, been reckoned a very moderate price of wheat, since it required a particular statute to oblige servants to accept of it in exchange for their usual livery of provisions; and it had been reckoned a reasonable price ten years before that, or in the 16th year of the king, the term to which the statute refers. But in the 16th year of Edward III, ten-pence contained about half an ounce of silver, Tower-weight, and was nearly equal to half a crown of our present money.[2] Four ounces of silver, Tower-weight, therefore, equal to six shillings and eight-pence of the money of those times, and to near twenty shillings of that of the present, must have been reckoned a moderate price for the quarter of eight bushels.

and was not less than that at the beginning of the century,

This statute is surely a better evidence of what was reckoned in those times a moderate price of grain, than the prices of some particular years which have generally been recorded by historians and other writers on account of their extraordinary dearness or cheapness, and from which, therefore, it is difficult to form any judgment concerning what may have been the ordinary price.[3] There are, besides, other reasons for believing that in the beginning of the fourteenth century, and for some time before, the common price of wheat was not less than four ounces of silver the quarter, and that of other grain in proportion.

In 1309, Ralph de Born, prior of St. Augustine's, Canterbury, gave a feast upon his installation-day, of which William Thorn has preserved, not only the bill of fare, but the prices of many particulars. In that feast were consumed, 1st, Fifty-three quarters of wheat, which cost nineteen pounds, or seven shillings and two-pence a quarter, equal to about one-and-twenty shillings and six-pence of our present money; 2dly, Fifty-eight quarters of malt, which cost seventeen pounds ten shillings, or six shillings a quarter, equal to about eighteen shillings of our present money: 3dly, Twenty quarters of oats, which cost four pounds, or four shillings a quarter, equal to about twelve shillings of our present money.[1] The prices of malt and oats seem here to be higher than their ordinary proportion to the price of wheat.

---

[1] [*I.e.*, four years before the twentieth year.]

[2] [This and the other reductions of ancient money to the eighteenth century standard are probably founded on the table in Martin Folkes, *Table of English Silver Coins*, 1745, p. 142.]

[3] [*E.g.*, Fleetwood's prices in the table at the end of the chapter.]

These prices are not recorded on account of their extraordinary dearness or cheapness, but are mentioned accidentally as the prices actually paid for large quantities of grain consumed at a feast which was famous for its magnificence.

and for some time before.

In 1262, being the 51st of Henry III, was revived an ancient statute called, *The Assize of Bread and Ale*,[2] which, the king says in the preamble, had been made in the times of his progenitors sometime kings of England. It is probably, therefore, as old at least as the time of his grandfather Henry II, and may have been as old as the conquest. It regulates the price of bread according as the prices of wheat may happen to be, from one shilling to twenty shillings the quarter of the money of those times. But statutes of this kind are generally presumed to provide with equal care for all deviations from the middle price, for those below it as well as for those above it. Ten shillings, therefore, containing six ounces of silver, Tower-weight, and equal to about thirty shillings of our present money, must, upon this supposition, have been reckoned the middle price of the quarter of wheat when this statute was first enacted, and must have continued to be so in the 51st of Henry III. We cannot therefore be very wrong[3] in supposing that the middle price was not less than one-third of the highest price at which this statute regulates the price of bread, or than six shillings and eight-pence of the money of those times, containing four ounces of silver, Tower-weight.

From these different facts, therefore, we seem to have some reason to conclude, that about the middle of the fourteenth century, and for a considerable time before, the average or ordinary price of the quarter of wheat was not supposed to be less than four ounces of silver, Tower-weight.

From that it sank gradually to 2 oz. at the beginning of the sixteenth century and remained at that till 1570.

From about the middle of the fourteenth to the beginning of the sixteenth century, what was reckoned the reasonable and moderate, that is the ordinary or average price of wheat, seems to have sunk gradually to about one-half of this price ; so as at last to have fallen to about two ounces of silver, Tower-weight, equal to about ten shillings of our present money. It continued to be estimated at this price till about 1570.

---

[1] [Fleetwood, *Chronicon Preciosum*, 1707, pp. 83-85.]

[2] [The date 1262 is wrong, as 51 Hen. III. ran from October 28, 1266, to October 27, 1267. But the editions of the statutes which ascribe the statute to 51 Hen. III. appear to have no good authority for doing so ; see *Statutes of the Realm*, vol. i., p. 199, notes. The statute has already been quoted above, p. 28, and is quoted again below, p. 183.]

[3] [Ed. 1 reads 'very far wrong'.]

In the houshold book of Henry, the fifth earl of Northumberland, drawn up in 1512, there are two different estimations of wheat. In one of them it is computed at six shillings and eight-pence the quarter, in the other at five shillings and eight-pence only.[1] In 1512, six shillings and eight-pence contained only two ounces of silver, Tower-weight, and were equal to about ten shillings of our present money.

From the 25th of Edward III, to the beginning of the reign of Elizabeth, during the space of more than two hundred years, six shillings and eight-pence, it appears from several different statutes, had continued to be considered as what is called the moderate and reasonable, that is the ordinary or average price of wheat. The quantity of silver, however, contained in that nominal sum was, during the course of this period, continually diminishing, in consequence of some alterations which were made in the coin. But the increase of the value of silver had, it seems, so far compensated the diminution of the quantity of it contained in the same nominal sum, that the legislature did not think it worth while to attend to this circumstance.

Thus in 1436 it was enacted, that wheat might be exported without a licence when the price was so low as six shillings and eight-pence:[2] And in 1463 it was enacted, that no wheat should be imported if the price was not above six shillings and eight-pence the quarter.[3] The legislature had imagined, that when the price was so low, there could be no inconveniency in exportation, but that when it rose higher, it became prudent to allow of importation. Six shillings and eight-pence, therefore, containing about the same quantity of silver as thirteen shillings and four-pence of our present money (one third part less than the same nominal sum contained in the time of Edward III), had in those times been considered as what is called the moderate and reasonable price of wheat.

In 1554, by the 1st and 2d of Philip and Mary;[4] and in 1558, by the 1st of Elizabeth,[5] the exportation of wheat was in the same manner prohibited, whenever the price of the quarter should exceed six shillings and eight-pence, which did not then contain two penny worth more silver than the same nominal sum does at present. But it had soon been found that to restrain the exportation of wheat till the price was so very low, was, in reality, to prohibit it altogether. In 1562, therefore, by the 5th of Elizabeth,[1] the exportation of wheat was allowed from certain ports whenever the price of the quarter should not exceed ten shillings, containing nearly the same quantity of silver as the like nominal sum does at present. This price had at this time, therefore, been considered as what is called the moderate and reasonable price of wheat. It agrees nearly with the estimation of the Northumberland book in 1512.

---

[1] [*The Regulations and Establishment of the Houshold of Henry Algernon Percy, the fifth Earl of Northumberland, at his castles of Wresill and Lekinfield in Yorkshire, begun anno domini MDXII.*, 1770, pp. 2, 4, but there are not really two estimations. It seems clear that 'vs. viijd.' on p. 4 is merely a misprint or mistake for 'vis. viijd.,' since 118 qrs. 2 bushels are reckoned at £39 8s. 4d.]

[2] [15 Hen. VI., c. 2.]

[3] [3 Ed. IV., c. 2.]

[4] [1 and 2 P. and M., c. 5, § 7. Licences for exportation, however, are recognised by the Act.]

[5] [1 Eliz., c. 11, § 11, which, however, merely partially exempts Norfolk and Suffolk from regulations intended to prevent exportation from places where no custom-house existed.]

The same fall has been observed in France.

That in France the average price of grain was, in the same manner, much lower in the end of the fifteenth and beginning of the sixteenth century, than in the two centuries preceding, has been observed both by Mr. Duprè de St. Maur,[2] and by the elegant author of the Essay on the police of grain.[3] Its price, during the same period, had probably sunk in the same manner through the greater part of Europe.

It may have been due to the increase of demand for silver or to a diminution of supply.

This rise in the value of silver, in proportion to that of corn, may either have been owing altogether to the increase of the demand for that metal, in consequence of increasing improvement and cultivation, the supply in the mean time continuing the same as before: Or, the demand continuing the same as before, it may have been owing altogether to the gradual diminution of the supply; the greater part of the mines which were then known in the world, being much exhausted, and consequently the expence of working them much increased: Or it may have been owing partly to the one and partly to the other of those two circumstances. In the end of the fifteenth and beginning of the sixteenth centuries, the greater part of Europe was approaching towards a more settled form of government than it had enjoyed for several ages before. The increase of security would naturally increase industry and improvement; and the demand for the precious metals, as well as for every other luxury and ornament, would naturally increase with the increase of riches. A greater annual produce would require a greater quantity of coin to circulate it; and a greater number of rich people would require a greater quantity of plate and other ornaments of silver. It is natural to suppose too, that the greater part of the mines which then supplied the European market with silver, might be a good deal exhausted, and have become more expensive in the working. They had been wrought many of them from the time of the Romans.

---

[1] [5 Eliz., c. 5, § 17.]

[2] [Neither his *Recherches sur la valeur des Monnoies et sur les prix des grains avant et après le concile de Francfort*, 1762, nor his *Essai sur les Monnoies, ou réflexions sur le rapport entre l'argent et les denrées*, 1746, contain any clear justification for this reference.]

[3] [From 1446 to 1515 'le blé fut plus bas que dans les siècles précédents'.—*Essai sur la police générale des grains sur leur prix et sur les effets de l'agriculture*, 1755 (by C. J. Herbert), pp. 259, 260.]

Most writers, however, have supposed that the value of silver continually fell.

It has been the opinion, however, of the greater part of those who have written upon the prices of commodities in ancient times, that, from the Conquest, perhaps from the invasion of Julius Cæsar, till the discovery of the mines of America, the value of silver was continually diminishing. This opinion they seem to have been led into, partly by the observations which they had occasion to make upon the prices both of corn and of some other parts of the rude produce of land; and partly by the popular notion, that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases.

They have been misled in their observations on the price of corn,

In their observations upon the prices of corn, three different circumstances seem frequently to have misled them.

(1) by confusing conversion prices with market prices;

First, In ancient times almost all rents were paid in kind; in a certain quantity of corn, cattle, poultry, &c. It sometimes happened, however, that the landlord would stipulate,[1] that he should be at liberty to demand of the tenant, either the annual payment in kind, or a certain sum of money instead of it. The price at which the payment in kind was in this manner exchanged for a certain sum of money, is in Scotland called the conversion price. As the option is always in the landlord to take either the substance or the price, it is necessary for the safety of the tenant, that the conversion price should rather be below than above the average market price. In many places, accordingly, it is not much above one-half of this price. Through the greater part of Scotland this custom still continues with regard to poultry, and in some places with regard to cattle. It might probably have continued to take place too with regard to corn, had not the institution of the public fiars put an end to it. These are annual valuations, according to the judgment of an assize, of the average price of all the different sorts of grain, and of all the different qualities of each, according to the actual market price in every different county. This institution rendered it sufficiently safe for the tenant, and much more convenient for the landlord, to convert, as they call it, the corn rent, rather at what should happen to be the price of the fiars of each year,[2] than at any certain fixed price. But the writers who have collected the prices of corn in ancient times, seem frequently to have mistaken what is called in Scotland the conversion price for the actual market price. Fleetwood acknowledges, upon one occasion, that he had made this mistake. As he wrote his

[1] [Ed. 1 reads 'with the tenant' here and omits 'of the tenant' in next line.]

[2] [Ed. 1 reads 'rent at the price of the fiars of each year rather'.]

book, however, for a particular purpose, he does not think proper to make this acknowledgment till after transcribing this conversion price fifteen times.[1] The price is eight shillings the quarter of wheat. This sum in 1423, the year at which he begins with it, contained the same quantity of silver as sixteen shillings of our present money. But in 1562, the year at which he ends with it, it contained no more than the same nominal sum does at present.

(2) by the slovenly transcription of ancient statutes of assize;

Secondly, They have been misled by the slovenly manner in which some ancient statutes of assize had been sometimes transcribed by lazy copiers; and sometimes perhaps actually composed by the legislature.

The ancient statutes of assize seem to have begun always with determining what ought to be the price of bread and ale when the price of wheat and barley were at the lowest, and to have proceeded gradually to determine what it ought to be, according as the prices of those two sorts of grain should gradually rise above this lowest price. But the transcribers of those statutes seem frequently to have thought it sufficient, to copy the regulation as far as the three or four first and lowest prices; saving in this manner their own labour, and judging, I suppose, that this was enough to show what proportion ought to be observed in all higher prices.

Thus in the assize of bread and ale, of the 51st of Henry III, the price of bread was regulated according to the different prices of wheat, from one shilling to twenty shillings the quarter, of the money of those times. But in the manuscripts from which all the different editions of the statutes, preceding that of Mr. Ruffhead, were printed, the copiers had never transcribed this regulation beyond the price of twelve shillings.[2] Several writers, therefore, being misled by this faulty transcription, very naturally concluded that the middle price, or six shillings the quarter, equal to about eighteen shillings of our present money, was the ordinary or average price of wheat at that time.

or by misunderstandings of those statutes;

In the statute of Tumbrel and Pillory,[3] enacted nearly about the same time, the price of ale is regulated according to every sixpence rise in the price of barley, from two shillings to four shillings the quarter. That four shillings, however, was not considered as the highest price to which barley might frequently rise in those times, and that these prices were only given as an example of the proportion which ought to be observed in all other prices, whether higher or lower, we may infer from the last words of the statute; "et sic deinceps "crescetur vel diminuetur per sex denarios." The expression is very slovenly, but the meaning is plain enough; "That the price of ale is "in this manner to be increased or diminished according to every "sixpence rise or fall in the price of barley." In the composition of this statute the legislature itself seems to have been as negligent as the copiers were in the transcription of the other.

---

[1] [*Chronicon Preciosum*, 1707, pp. 121, 122. Fleetwood does not 'acknowledge' any 'mistake,' but says that though the price was not the market price it might have been 'well agreed upon'. His 'particular purpose' was to prove that in order to qualify for a fellowship a man might conscientiously swear his income to be much less than it was.]

[2] [The statement is too sweeping. See *Statutes of the Realm*, vol. i., pp. xxiv and 199, notes. Ruffhead's edition began to be published in 1762.]

[3] [Judicium Pillorie, temp. incert., ascribed to 51 Hen. III., stat. 6.]

In an ancient manuscript of the Regiam Majestatem, an old Scotch law book, there is a statute of assize, in which the price of bread is regulated according to all the different prices of wheat, from ten-pence to three shillings the Scotch boll, equal to about half an English quarter. Three shillings Scotch, at the time when this assize is supposed to have been enacted, were equal to about nine shillings sterling of our present money. Mr. Ruddiman[1] seems[2] to conclude from this, that three shillings was the highest price to which wheat ever rose in those times, and that ten-pence, a shilling, or at most two shillings, were the ordinary prices. Upon consulting the manuscript, however, it appears evidently, that all these prices are only set down as examples of the proportion which ought to be observed between the respective prices of wheat and bread. The last words of the statute are, "reliqua "judicabis secundum præscripta habendo respectum ad pretium bladi." "You shall judge of the remaining cases according to what is above "written having a respect to the price of corn."[3]

and (3) by attributing too much importance to excessively low prices.

Thirdly, They seem to have been misled too by the very low price at which wheat was sometimes sold in very ancient times; and to have imagined, that as its lowest price was then much lower than in later times, its ordinary price must likewise have been much lower. They might have found, however, that in those ancient times, its highest price was fully as much above, as its lowest price was below any thing that had ever been known in later times. Thus in 1270, Fleetwood gives us two prices of the quarter of wheat.[4] The one is four pounds sixteen shillings of the money of those times, equal to fourteen pounds eight shillings of that of the present; the other is six pounds eight shillings, equal to nineteen pounds four shillings of our present money. No price can be found in the end of the fifteenth, or beginning of the sixteenth century, which approaches to the extravagance of these. The price of corn, though at all times liable to variation,[1] varies most in those turbulent and disorderly societies, in which the interruption of all commerce and communication hinders the plenty of one part of the country from relieving the scarcity of another. In the disorderly state of England under the Plantagenets, who governed it from about the middle of the twelfth, till towards the end of the fifteenth century, one district might be in plenty, while another at no great distance, by having its crop destroyed either by some accident of the seasons, or by the incursion of some neighbouring baron, might be suffering all the horrors of a famine; and yet if the lands of some hostile lord were interposed between them, the one might not be able to give the least assistance to the other. Under the vigorous administration of the Tudors, who governed England during the latter part of the fifteenth, and through the whole of the sixteenth century, no baron was powerful enough to dare to disturb the public security.

---

[1] [Eds. 1 and 2 read 'Rudiman'.]

[2] See his preface to Anderson's Diplomata Scotiae. [*Selectus diplomatum et numismatum Scotiae thesaurus*, 1739, p. 82, and in the translation, *An Introduction to Mr. James Anderson's* Diplomata Scotiae, by Thomas Ruddiman, M.A., Edinburgh, 1773, pp. 170, 174, 228. The note appears first in ed. 2.]

[3] [The manuscript appears to be the Alexander Foulis MS., now 25. 4. 10. in the Edinburgh Advocates' Library, No. viii. of the MSS., described in *Acts of the Parliaments of Scotland*, vol. i. The exact words are 'Memorandum quod reliqua judicabis secundum praedicta habendo respectum ad praescripta bladi precium duplicando.']

[*Chronicon Preciosum*, p. 78. Fleetwood quotes the author of *Antiq. Britan.* in *Vita Joh. Pecham* as saying that 'provisions were so scarce that parents did eat their own children'.]

The figures at the end of the chapter confirm this account.

The reader will find at the end of this chapter all the prices of wheat which have been collected by Fleetwood from 1202 to 1597, both inclusive, reduced to the money of the present times, and digested according to the order of time, into seven divisions of twelve years each. At the end of each division too, he will find the average price of the twelve years of which it consists. In that long period of time, Fleetwood has been able to collect the prices of no more than eighty years, so that four years are wanting to make out the last twelve years. I have added, therefore, from the accounts of Eton College, the prices of 1598, 1599, 1600, and 1601.[2] It is the only addition which I have made. The reader will see, that from the beginning of the thirteenth, till after the middle of the sixteenth century, the average price of each twelve years grows gradually lower and lower; and that towards the end of the sixteenth century it begins to rise again. The prices, indeed, which Fleetwood has been able to collect, seem to have been those chiefly which were remarkable for extraordinary dearness or cheapness; and I do not pretend that any very certain conclusion can be drawn from them. So far, however, as they prove any thing at all, they confirm the account which I have been endeavouring to give. Fleetwood himself, however, seems, with most other writers, to have believed,[3] that during all this period the value of silver, in consequence of its increasing abundance, was continually diminishing. The prices of corn which he himself has collected, certainly do not agree with this opinion. They agree perfectly with that of Mr. Duprè de St. Maur,[1] and with that which I have been endeavouring to explain. Bishop Fleetwood and Mr. Duprè de St. Maur are the two authors who seem to have collected, with the greatest diligence and fidelity, the prices of things in ancient times. It is somewhat curious that, though their opinions are so very different, their facts, so far as they relate to the price of corn at least, should coincide so very exactly.

---

[1] [Eds. 1 to 3 read 'variations'.]

[2] [See the table, pp. 250-254 below.]

[3] [This appears to be merely an inference from the fact that he does not take notice of fluctuations.]

Sometimes the value of silver has been measured by the price of cattle, poultry, etc. But the low price of these things shows their cheapness, not the dearness of silver,

It is not, however, so much from the low price of corn, as from that of some other parts of the rude produce of land, that the most judicious writers have inferred the great value of silver in those very ancient times. Corn, it has been said, being a sort of manufacture, was, in those rude ages, much dearer in proportion than the greater part of other commodities; it is meant, I suppose, than the greater part of unmanufactured commodities; such as cattle, poultry, game of all kinds, &c. That in those times of poverty and barbarism these were proportionably much cheaper than corn, is undoubtedly true. But this cheapness was not the effect of the high value of silver, but of the low value of those commodities. It was not because silver would in such times purchase or represent a greater quantity of labour, but because[2] such commodities would purchase or represent a much smaller quantity than in times of more opulence and improvement. Silver must certainly be cheaper in Spanish America than in Europe; in the country where it is produced, than in the country to which it is brought, at the expence of a long carriage both by land and by sea, of a freight and an insurance. One-and-twenty pence halfpenny sterling, however, we are told by Ulloa, was, not many years ago, at Buenos Ayres, the price of an ox chosen from a herd of three or four hundred.[3] Sixteen shillings sterling, we are told by Mr. Byron, was the price of a good horse in the capital of Chili.[4] In a country naturally fertile, but of which the far greater part is altogether uncultivated, cattle, poultry, game of all kinds, &c. as they can be acquired with a very small quantity of labour, so they will purchase or command but a very small quantity. The low money price for which they may be sold, is no proof that the real value of silver is there very high, but that the real value of those commodities is very low.

---

[1] [Above, p. 181.]

[2] [Ed. 1 reads 'that' instead of 'because,' here and also two lines above.]

[3] [*Voyage historique de l'Amérique méridionale*, vol. i., p. 552, where, however, the number of cattle is two or three hundred, as correctly quoted above, p. 149.]

[4] [*Narrative of the Hon. John Byron, containing an account of the Great Distresses suffered by himself and his companions on the Coast of Patagonia from* 1740 *to* 1746, 1768, pp. 212, 220.]

for labour is the real measure.

Labour, it must always be remembered, and not any particular commodity or set of commodities, is the real measure of the value both of silver and of all other commodities.

Cattle, poultry, etc., are produced by very different quantities of labour at different times,

But in countries almost waste, or but thinly inhabited, cattle, poultry, game of all kinds, &c. as they are the spontaneous productions of nature, so she frequently produces them in much greater quantities than the consumption of the inhabitants requires. In such a state of things the supply commonly exceeds the demand. In different states of society, in different stages of improvement, therefore, such commodities will represent, or be equivalent to, very different quantities of labour.

whereas corn scarcely varies at all,

In every state of society, in every stage of improvement, corn is the production of human industry. But the average produce of every sort of industry is always suited, more or less exactly, to the average consumption; the average supply to the average demand. In every different stage of improvement, besides, the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour; or what comes to the same thing, the price of nearly equal quantities; the continual increase of the productive powers of labour in an improving[1] state of cultivation being more or less counterbalanced by the continually increasing price of cattle, the principal instruments of agriculture. Upon all these accounts, therefore, we may rest assured, that equal quantities of corn will, in every state of society, in every stage of improvement, more nearly represent, or be equivalent to, equal quantities of labour, than equal quantities of any other part of the rude produce of land. Corn, accordingly, it has already been observed,[2] is, in all the different stages of wealth and improvement, a more accurate measure of value than any other commodity or set of commodities. In all those different stages, therefore, we can judge better of the real value of silver, by comparing it with corn, than by comparing it with any other commodity, or set of commodities.

and also regulates the money price of labour.

Corn, besides, or whatever else is the common and favourite vegetable food of the people, constitutes, in every civilized country, the principal part of the subsistence of the labourer. In consequence of the extension of agriculture, the land of every country produces a much greater quantity of vegetable than of animal food, and the labourer every-where lives chiefly upon the wholesome food that is cheapest and most abundant. Butcher's-meat, except in the most thriving countries, or where labour is most highly rewarded, makes but an insignificant part of his subsistence; poultry makes a still smaller part of it, and game no part of it. In France, and even in Scotland, where labour is somewhat better rewarded than in France, the labouring poor seldom eat butcher's-meat, except upon holidays, and other extraordinary occasions. The money price of labour, therefore, depends much more upon the average money price of corn, the subsistence of the labourer, than upon that of butcher's-meat, or of any other part of the rude produce of land. The real value of gold and silver, therefore, the real quantity of labour which they can purchase or command, depends much more upon the quantity of corn which they can purchase or command, than upon that of butcher's-meat, or any other part of the rude produce of land.

---

[1] [Misprinted 'improved' in ed. 5.]

[2] [Above, p. 40.]

The authors were also misled by the notion that silver falls in value as its quantity increases.

Such slight observations, however, upon the prices either of corn or of other commodities, would not probably have misled so many intelligent authors, had they not been influenced, at the same time, by the popular notion,[1] that as the quantity of silver naturally increases in every country with the increase of wealth, so its value diminishes as its quantity increases. This notion, however, seems to be altogether groundless.

The quantity of the precious metals may increase in any country from two different causes: either, first, from the increased abundance of the mines which supply it; or, secondly, from the increased wealth of the people, from the increased produce of their annual labour. The first of these causes is no doubt necessarily connected with the diminution of the value of the precious metals; but the second is not.

Increase of quantity arising from greater abundance of the mines is connected with diminution of value,

When more abundant mines are discovered, a greater quantity of the precious metals is brought to market, and the quantity of the necessaries and conveniencies of life for which they must be exchanged being the same as before, equal quantities of the metals must be exchanged for smaller quantities of commodities. So far, therefore, as the increase of the quantity of the precious metals in any country arises from the increased abundance of the mines, it is necessarily connected with some diminution of their value.

but increase of quantity resulting from the increased wealth of a country is not.

When, on the contrary, the wealth of any country increases, when the annual produce of its labour becomes gradually greater and greater, a greater quantity of coin becomes necessary in order to circulate a greater quantity of commodities: and the people, as they can afford it, as they have more commodities to give for it, will naturally purchase a greater and a greater quantity of plate. The quantity of their coin will increase from necessity; the quantity of their plate from vanity and ostentation, or from the same reason that the quantity of fine statues, pictures, and of every other luxury and curiosity, is likely to increase among them. But as statuaries and painters are not likely to be worse rewarded in times of wealth and prosperity, than in times of poverty and depression, so gold and silver are not likely to be worse paid for.

---

[1] [Ed. 1 reads 'had they not been agreeable to the popular notion'.]

Gold and silver are dearer in a rich country,

The price of gold and silver, when the accidental discovery of more abundant mines does not keep it down, as it naturally rises with the wealth of every country, so, whatever be the state of the mines, it is at all times naturally higher in a rich than in a poor country. Gold and silver, like all other commodities, naturally seek the market where the best price is given for them, and the best price is commonly given for every thing in the country which can best afford it. Labour, it must be remembered, is the ultimate price which is paid for every thing, and in countries where labour is equally well rewarded, the money price of labour will be in proportion to that of the subsistence of the labourer. But gold and silver will naturally exchange for a greater quantity of subsistence in a rich than in a poor country, in a country which abounds with subsistence, than in one which is but indifferently supplied with it. If the two countries are at a great distance, the difference may be very great; because though the metals naturally fly from the worse to the better market, yet it may be difficult to transport them in such quantities as to bring their price nearly to a level in both. If the countries are near, the difference will be smaller, and may sometimes be scarce perceptible; because in this case the transportation will be easy. China is a much richer country than any part of Europe, and the difference between the price of subsistence in China and in Europe is very great. Rice in China is much cheaper than wheat is any-where in Europe. England is a much richer country than Scotland; but the difference between the money-price of corn in those two countries is much smaller, and is but just perceptible. In proportion to the quantity or measure, Scotch corn generally appears to be a good deal cheaper than English; but in proportion to its quality, it is certainly somewhat dearer. Scotland receives almost every year very large supplies from England, and every commodity must commonly be somewhat dearer in the country to which it is brought than in that from which it comes. English corn, therefore, must be dearer in Scotland than in England, and yet in proportion to its quality, or to the quantity and goodness of the flour or meal which can be made from it, it cannot commonly be sold higher there than the Scotch corn which comes to market in competition with it.

as may be shown by comparing China with Europe and Scotland with England as to the price of subsistence

The difference between the money price of labour in China and in Europe, is still greater than that between the money price of subsistence; because the real recompence of labour is higher in Europe than in China, the greater part of Europe being in an improving state, while China seems to be standing still. The money price of labour is lower in Scotland than in England, because the real recompence of labour is much lower; Scotland, though advancing to greater wealth, advancing much more slowly than England.[1] The frequency of emigration from Scotland, and the rarity of it from England, sufficiently prove that the demand for labour is very different in the two countries.[2] The proportion between the real recompence of labour in different countries, it must be remembered, is naturally regulated, not by their actual wealth or poverty, but by their advancing, stationary, or declining condition.

Gold and silver are cheapest among the poorest nations.

Gold and silver, as they are naturally of the greatest value among the richest, so they are naturally of the least value among the poorest nations. Among savages, the poorest of all nations, they are of scarce any value.

The fact that corn is dearer in towns is due to its dearness there, not to the cheapness of silver,

In great towns corn is always dearer than in remote parts of the country. This, however, is the effect, not of the real cheapness of silver, but of the real dearness of corn. It does not cost less labour to bring silver to the great town than to the remote parts of the country; but it costs a great deal more to bring corn.

and this is true also in Holland, Genoa, etc.

In some very rich and commercial countries, such as Holland and the territory of Genoa, corn is dear for the same reason that it is dear in great towns. They do not produce enough to maintain their inhabitants. They are rich in the industry and skill of their artificers and manufacturers; in every sort of machinery which can facilitate and abridge labour; in shipping, and in all the other instruments and means of carriage and commerce: but they are poor in corn, which, as it must be brought to them from distant countries, must, by an addition to its price, pay for the carriage from those countries. It does not cost less labour to bring silver to Amsterdam than to Dantzick; but it costs a great deal more to bring corn. The real cost of silver must be nearly the same in both places; but that of corn must be very different. Diminish the real opulence either of Holland or of the territory of Genoa, while the number of their inhabitants remains the same: diminish their power of supplying themselves from distant countries; and the price of corn, instead of sinking with that diminution in the quantity of their silver, which must necessarily accompany this declension either as its cause or as its effect, will rise to the price of a famine. When we are in want of necessaries we must part with all superfluities, of which the value, as it rises in times of opulence and prosperity, so it sinks in times of poverty and distress. It is otherwise with necessaries. Their real price, the quantity of labour which they can purchase or command, rises in times of poverty and distress, and sinks in times of opulence and prosperity, which are always times of great abundance; for they could not otherwise be times of opulence and prosperity. Corn is a necessary, silver is only a superfluity.

---

[1] [Above, p. 92.]

[2] [This sentence is not in ed. 1.]

So no increase of silver due to the increase of wealth could have reduced its value.

Whatever, therefore, may have been the increase in the quantity of the precious metals, which, during the period between the middle of the fourteenth and that of the sixteenth century, arose from the increase of wealth and improvement, it could have no tendency to diminish their value either in Great Britain, or in any other part of Europe. If those who have collected the prices of things in ancient times, therefore, had, during this period, no reason to infer the diminution of the value of silver, from any observations which they had made upon the prices either of corn or of other commodities, they had still less reason to infer it from any supposed increase of wealth and improvement.

SECOND PERIOD

No doubt exists as to the second period,

BUT how various soever may have been the opinions of the learned concerning the progress of the value of silver during this first period, they are unanimous concerning it during the second.

silver sank, and a quarter of corn came to be worth 6 oz. or 8 oz. of silver.

From about 1570 to about 1640, during a period of about seventy years, the variation in the proportion between the value of silver and that of corn, held a quite opposite course. Silver sunk in its real value, or would exchange for a smaller quantity of labour than before; and corn rose in its nominal price, and instead of being commonly sold for about two ounces of silver the quarter, or about ten shillings of our present money, came to be sold for six and eight ounces of silver the quarter, or about thirty and forty shillings of our present money.

This was owing to the discovery of the abundant American mines.

The discovery of the abundant mines of America, seems to have been the sole cause of this diminution in the value of silver in proportion to that of corn. It is accounted for accordingly in the same manner by every body; and there never has been any dispute either about the fact, or about the cause of it. The greater part of Europe was, during this period, advancing in industry and improvement, and the demand for silver must consequently have been increasing. But the increase of the supply had, it seems, so far exceeded that of the demand, that the value of that metal sunk considerably. The discovery of the mines of America, it is to be observed, does not seem to have had any very sensible effect upon the prices of things in England till after 1570; though even the mines of Potosi had been discovered more than twenty years before.[1]

Wheat rose at Windsor market.

From 1595 to 1620, both inclusive, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears from the accounts of Eton College,[2] to have been 2*l.* 1*s.* 6*d.* $\frac{9}{13}$. From which sum, neglecting the fraction, and deducting a ninth, or 4*s.* 7*d.* $\frac{1}{3}$, the price of the quarter of eight bushels comes out to have been 1*l.* 16*s.* 10*d.* $\frac{2}{3}$. And from this sum, neglecting likewise the fraction, and deducting a ninth, or 4*s.* 1*d.* $\frac{1}{9}$, for the difference between the price of the best wheat and that of the middle wheat,[3] the price of the middle wheat comes out to have been about 1*l.* 12*s.* 8*d.* $\frac{8}{9}$, or about six ounces and one-third of an ounce of silver.

From 1621 to 1636, both inclusive, the average price of the same measure of the best wheat at the same market, appears, from the same accounts, to have been 2*l.* 10*s.*; from which making the like deductions as in the foregoing case, the average price of the quarter of eight bushels of middle wheat comes out to have been 1*l.* 19*s.* 6*d.* or about seven ounces and two-thirds of an ounce of silver.

THIRD PERIOD

The effect of the discovery of the American mines was complete about 1636.

BETWEEN 1630 and 1640, or about 1636, the effect of the discovery of the mines of America in reducing the value of silver, appears to have been completed, and the value of that metal seems never to have sunk lower in proportion to that of corn than it was about that time. It seems to have risen somewhat in the course of the present century, and it had probably begun to do so even some time before the end of the last.

From 1637 to 1700 there was a very slight rise of wheat at Windsor,

From 1637 to 1700, both inclusive, being the sixty-four last years of the last century, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, from the same accounts, to have been 2*l.* 11*s.* 0*d.* $\frac{1}{3}$; which is only 1*s.* 0*d.* $\frac{1}{3}$ dearer than it had been during the sixteen years before. But in the course of these sixty-four years there happened two events which must have produced a much greater scarcity of corn than what the course of the seasons would otherwise have occasioned, and which, therefore, without supposing any further reduction in the value of silver, will much more than account for this very small enhancement of price.

---

[1] [In 1545. Ed. 1 reads 'thirty' instead of 'twenty'. In ed. 2 the correction is in the errata. See below p. 201, notes 4 and 5.]

[2] [See the table at the end of the chapter, p. 255.]

[3] [The deduction of this ninth is recommended by Charles Smith, *Three Tracts on the Corn Trade and Corn Laws,* 2nd ed., 1766, p. 104, because, 'it hath been found that the value of all the wheat fit for bread, if mixed together, would be eight-ninths of the value of the best wheat.']

due to the civil war,

The first of these events was the civil war, which, by discouraging tillage and interrupting commerce, must have raised the price of corn much above what the course of the seasons would otherwise have occasioned. It must have had this effect more or less at all the different markets in the kingdom, but particularly at those in the neighbourhood of London, which require to be supplied from the greatest distance. In 1648, accordingly, the price of the best wheat at Windsor market, appears, from the same accounts, to have been 4 *l.* 5 *s.* and in 1649 to have been 4 *l.* the quarter of nine bushels. The excess of those two years above 2 *l.* 10 *s.* (the average price of the sixteen years preceding 1637) is 3 *l.* 5 *s.*; which divided among the sixty-four last years of the last century, will alone very nearly account for that small enhancement of price which seems to have taken place in them. These, however, though the highest, are by no means the only high prices which seem to have been occasioned by the civil wars.

the bounty on the exportation of corn,

The second event was the bounty upon the exportation of corn, granted in 1688.[1] The bounty, it has been thought by many people, by encouraging tillage, may, in a long course of years, have occasioned a greater abundance, and consequently a greater cheapness of corn in the home-market, than what would otherwise have taken place there. How far the bounty could produce this effect at any time, I shall examine hereafter;[2] I shall only observe at present, that[3] between 1688 and 1700, it had not time to produce any such effect.[4] During this short period its only effect must have been, by encouraging the exportation of the surplus produce of every year, and thereby hindering the abundance of one year from compensating the scarcity of another, to raise the price in the home-market. The scarcity which prevailed in England from 1693 to 1699, both inclusive, though no doubt principally owing to the badness of the seasons, and, therefore, extending through a considerable part of Europe, must have been somewhat enhanced by the bounty. In 1699, accordingly, the further exportation of corn was prohibited for nine months.[1]

---

[1] [By 1 W. & M., c. 12, 'An act for the encouraging the exportation of corn,' the preamble of which alleges that 'it hath been found by experience, that the exportation of corn and grain into foreign parts, when the price thereof is at a low rate in this kingdom, hath been a great advantage not only to the owners of land but to the trade of this kingdom in general.' It provides that when malt or barley does not exceed 24s. per Winchester quarter, rye 32s. and wheat 48s. in any port, every person exporting such corn on an English ship with a crew at least two-thirds English shall receive from the Customs 2s. 6d. for every quarter of barley or malt, 3s. 6d. for every quarter of rye and 5s. for every quarter of wheat.]

[2] [Below, vol. ii., pp. 8-18.]

[3] [In place of 'How far the bounty could produce this effect at any time I shall examine hereafter: I shall only observe at present that,' ed. 1 reads simply 'But'.]

[4] [For 'not' ed. 1 reads 'no,' and for 'any such' it reads 'this'.]

and the clipping and wearing of the coin,

There was a third event which occurred in the course of the same period, and which, though it could not occasion any scarcity of corn, nor, perhaps, any augmentation in the real quantity of silver which was usually paid for it, must necessarily have occasioned some augmentation in the nominal sum. This event was the great debasement[2] of the silver coin, by clipping and wearing. This evil had begun in the reign of Charles II. and had gone on continually increasing till 1695; at which time, as we may learn from Mr. Lowndes, the current silver coin was, at an average, near five-and-twenty per cent. below its standard value.[3] But the nominal sum which constitutes the market-price of every commodity is necessarily regulated, not so much by the quantity of silver, which, according to the standard, ought to be contained in it, as by that which, it is found by experience, actually is contained in it. This nominal sum, therefore, is necessarily higher when the coin is much debased[4] by clipping and wearing, than when near to its standard value.

which was then much greater than in the present century.

In the course of the present century, the silver coin has not at any time been more below its standard weight than it is at present. But though very much defaced, its value has been kept up by that of the gold coin for which it is exchanged.[5] For though before the late recoinage, the gold coin was a good deal defaced too, it was less so than the silver. In 1695, on the contrary, the value of the silver coin was not kept up by the gold coin; a guinea then commonly exchanging for thirty shillings of the worn and clipt silver.[1] Before the late re-coinage of the gold, the price of silver bullion was seldom higher than five shillings and seven-pence an ounce, which is but five-pence above the mint price. But in 1695, the common price of silver bullion was six shillings and five-pence an ounce,[2] which is fifteen-pence above the mint price. Even before the late re-coinage of the gold,[3] therefore, the coin, gold and silver together, when compared with silver bullion, was not supposed to be more than eight per cent. below its standard value. In 1695, on the contrary, it had been supposed to be near five-and-twenty per cent. below that value. But in the beginning of the present century, that is, immediately after the great re-coinage in King William's time, the greater part of the current silver coin must have been still nearer to its standard weight than it is at present. In the course of the present century too there has been no great public calamity, such as the civil war, which could either discourage tillage, or interrupt the interior commerce of the country. And though the bounty which has taken place through the greater part of this century, must always raise the price of corn somewhat higher than it otherwise would be in the actual state of tillage;[4] yet as, in the course of this century, the bounty has had full time to produce all the good effects commonly imputed to it, to encourage tillage, and thereby to increase the quantity of corn in the home market, it may, upon the principles of a system which I shall explain and examine hereafter,[5] be supposed to have done something to lower the price of that commodity the one way, as well as to raise it the other. It is by many people supposed to have done more.[6] In the sixty-four first[7] years of the present century accordingly, the average price of the quarter of nine bushels of the best wheat at Windsor market, appears, by the accounts of Eton College, to have been *2 l. 0 s. 6 d.* $\frac{19}{32}$,[8] which is about ten shillings and sixpence, or more than five-and-twenty per cent. cheaper[9] than it had been during the sixty-four last years of the last century; and about nine shillings and sixpence cheaper than it had been during the sixteen

---

[1] [The Act 10 Will. III., c. 3, prohibits exportation for one year from 10th February, 1699. The mistake 'nine months' is probably due to a misreading of C. Smith, *Tracts on the Corn Trade*, p. 9, wheat 'growing, and continuing dearer till 1698, the exportation was forbid for one year, and then for nine months the bounty was suspended' (cp. pp. 44, 119). As a matter of fact, the bounty was suspended by 11 & 12 Will. III., c. 1, from 9th February, 1699, to 29th September, 1700, or not much more than seven months and a half. The Act 11 & 12 Will. III., c. 1, alleges that the Act granting the bounty 'was grounded upon the highest wisdom and prudence and has succeeded to the greatest benefit and advantage to the nation by the greatest encouragement of tillage,' and only suspends it because 'it appears that the present stock and quantity of corn in this kingdom may not be sufficient for the use and service of the people at home should there be too great an exportation into parts beyond the seas, which many persons may be prompted to do for their own private advantage and the lucre of the said bounty.'—*Statutes of the Realm*, vol. vii., p. 544.]

[2] [For 'debasement' ed. 1 reads 'degradation'.]

[3] [Lowndes says on p. 107 of his *Report Containing an Essay for the Amendment of the Silver Coins*, 1695, 'the moneys commonly current are diminished near one-half, to wit, in a proportion something greater than that of ten to twenty-two'. But in the text above, the popular estimate, as indicated by the price of silver bullion, is accepted, as in the next paragraph.]

[4] [Ed. 1 reads 'degraded'.]

[5] [See above, p. 43.]

Moreover the bounty has been long enough in existence to produce any possible effect in lowering the price of corn.

---

[1] [Lowndes, *Essay*, p. 88.]

[2] Lowndes's Essay on the Silver Coin, p. 68. [This note appears first in ed. 2.]

[3] [Above, p. 43.]

[4] [The meaning is 'given a certain area and intensity of cultivation, the bounty will raise the price of corn'.]

[5] [Ed. 1 does not contain 'upon the principles of a system which I shall explain hereafter'. The reference is presumably to vol. ii., pp. 8-18.]

[6] [Ed. 1 reads here 'a notion which I shall examine hereafter'.]

[7] [Doubtless by a misprint ed. 5 omits 'first'. The term is used again at the end of the paragraph and also on pp. 197, 198.]

[8] [See the table at the end of the chapter; $\frac{19}{32}$ is a mistake for $\frac{9}{32}$.]

[9] [The 25 per cent. is erroneously reckoned on the £2 0s. 6 $\frac{19}{32}$d. instead of on the £2 11s. 0$\frac{1}{4}$d. The fall of price is really less than 21 per cent.]

years preceding 1636, when the discovery of the abundant mines of America may be supposed to have produced its full effect; and about one shilling cheaper than it had been in the twenty-six years preceding 1620, before that discovery can well be supposed to have produced its full effect. According to this account, the average price of middle wheat, during these sixty-four first years of the present century, comes out to have been about thirty-two shillings the quarter of eight bushels.

Silver has risen somewhat since the beginning of the century, and the rise began before;

The value of silver, therefore, seems to have risen somewhat in proportion to that of corn during the course of the present century, and it had probably begun to do so even some time before the end of the last.

In 1687, the price of the quarter of nine bushels of the best wheat at Windsor market was 1 *l.* 5 *s.* 2 *d.* the lowest price at which it had ever been from 1595.

as is shown by Mr. King's calculations.

In 1688, Mr. Gregory King, a man famous for his knowledge in matters of this kind, estimated the average price of wheat in years of moderate plenty to be to the grower 3 *s.* 6 *d.* the bushel, or eight-and-twenty shillings the quarter.[1] The grower's price I understand to be the same with what is sometimes called the contract price, or the price at which a farmer contracts for a certain number of years to deliver a certain quantity of corn to a dealer. As a contract of this kind saves the farmer the expence and trouble of marketing, the contract price is generally lower than what is supposed to be the average market price. Mr. King had judged eight-and-twenty shillings the quarter to be at that time the ordinary contract price in years of moderate plenty. Before the scarcity occasioned by the late extraordinary course of bad seasons, it was, I have been assured,[2] the ordinary contract price in all common years.

In 1688 was granted the parliamentary bounty upon the exportation of corn.[3] The country gentlemen, who then composed a still greater proportion of the legislature than they do at present, had felt that the money price of corn was falling. The bounty was an expedient to raise it artificially to the high price at which it had frequently been sold in the times of Charles I. and II. It was to take place, therefore, till wheat was so high as forty-eight shillings the quarter; that is twenty shillings, or $\frac{5}{7}$ths dearer than Mr. King had in that very year estimated the grower's price to be in times of moderate plenty. If his calculations deserve any part of the reputation which they have obtained very universally, eight-and-forty shillings the quarter was a price which, without some such expedient as the bounty, could not at that time be expected, except in years of extraordinary scarcity. But the government of King William was not then fully settled. It was in no condition to refuse any thing to the country gentlemen, from whom it was at that very time soliciting the first establishment of the annual land-tax.

---

[1] [The date is taken from the heading of Scheme D in Davenant, *Essay upon the Probable Means of Making a People Gainers in the Balance of Trade*, 1699, p. 22, *Works*, ed. Whitworth, 1771, vol. ii., p. 184. Cp. *Natural and Political Observations and Conclusions upon the State and Condition of England*, by Gregory King, Esq., Lancaster, H., in George Chalmers' *Estimate of the Comparative Strength of Great Britain*, 1802, p. 429; in Davenant, *Balance of Trade*, pp. 71, 72, *Works*, vol. ii., p. 217. Davenant says 'this value is what the same is worth upon the spot where the corn grew; but this value is increased by the carriage to the place where it is at last spent, at least ¼ part more.']

[2] [Ed. 1 does not contain this parenthesis.]

[3] [Above, p. 193, note.]

The value of silver, therefore, in proportion to that of corn, had probably risen somewhat before the end of the last century; and it seems to have continued to do so during the course of the greater part of the present; though the necessary operation of the bounty must have hindered that rise from being so sensible as it otherwise would have been in the actual state of tillage.

Apart from its effect in extending tillage, the bounty raises the price of corn, both in times of plenty and of scarcity.

In plentiful years the bounty, by occasioning an extraordinary exportation, necessarily raises the price of corn above what it otherwise would be in those years. To encourage tillage, by keeping up the price of corn even in the most plentiful years, was the avowed end of the institution.

In years of great scarcity, indeed, the bounty has generally been suspended. It must, however, have had some effect even[1] upon the prices of many of those years. By the extraordinary exportation which it occasions in years of plenty, it must frequently hinder the plenty of one year from compensating the scarcity of another.

Both in years of plenty and in years of scarcity, therefore, the bounty raises the price of corn above what it naturally would be in the actual state of tillage. If, during the sixty-four first years of the present century, therefore, the average price has been lower than during the sixty-four last years of the last century, it must, in the same state of tillage, have been much more so, had it not been for this operation of the bounty.

It is said to have extended tillage (and so to have reduced the price), but the rise of

But without the bounty, it may be said, the state of tillage would not have been the same. What may have been the effects of this institution upon the agriculture of the country, I shall endeavour to explain hereafter,[2] when I come to treat particularly of bounties. I shall only observe at present, that this rise in the value of silver, in silver has not been peculiar to England.

---

[1] [Ed. 5, doubtless by a misprint, omits 'even'.]
[2] [Below, vol. ii., pp. 8-18.]

proportion to that of corn, has not been peculiar to England. It has been observed to have taken place in France during the same period, and nearly in the same proportion too, by three very faithful, diligent, and laborious collectors of the prices of corn, Mr. Duprè de St. Maur, Mr. Messance, and the author of the Essay on the police of grain.[1] But in France, till 1764, the exportation of grain was by law prohibited; and it is somewhat difficult to suppose, that nearly the same diminution of price which took place in one country, notwithstanding this prohibition, should in another be owing to the extraordinary encouragement given to exportation.

The alteration should be regarded as a rise of silver rather than a fall of corn.

It would be more proper, perhaps, to consider this variation in the average money price of corn as the effect rather of some gradual rise in the real value of silver in the European market, than of any fall in the real average value of corn. Corn, it has already been observed,[2] is at distant periods of time a more accurate measure of value than either silver, or perhaps any other commodity. When, after the discovery of the abundant mines of America, corn rose to three and four times its former money price, this change was universally ascribed, not to any rise in the real value of corn, but to a fall in the real value of silver. If during the sixty-four first years of the present century, therefore, the average money price of corn has fallen somewhat below what it had been during the greater part of the last century, we should in the same manner impute this change, not to any fall in the real value of corn, but to some rise in the real value of silver in the European market.

The recent high price of corn is merely the effect of unfavourable seasons.

The high price of corn during these ten or twelve years past, indeed, has occasioned a suspicion[3] that the real value of silver still continues to fall in the European market. This high price of corn, however, seems evidently to have been the effect of the extraordinary unfavourableness of the seasons, and ought therefore to be regarded, not as a permanent, but as a transitory and occasional event. The seasons for these ten or twelve years past have been unfavourable through the greater part of Europe; and the disorders of Poland have very much increased the scarcity in all those countries, which, in dear years, used to be supplied from that market. So long a course of bad seasons, though not a very common event, is by no means a singular one; and whoever has enquired much into the history of the prices of corn in former times, will be at no loss to recollect several other examples of the same kind. Ten years of extraordinary scarcity, besides, are not more wonderful than ten years of extraordinary plenty. The low price of corn from 1741 to 1750, both inclusive, may very well be set in opposition to its high price during these last eight or ten years. From 1741 to 1750, the average price of the quarter of nine bushels of the best wheat at Windsor market, it appears from the accounts of Eton College, was only 1 *l.* 13 *s.* 9 *d.* ⅘, which is nearly 6 *s.* 3 *d.* below the average price of the sixty-four first years of the present century.[1] The average price of the quarter of eight bushels of middle wheat, comes out, according to this account, to have been, during these ten years, only 1 *l.* 6 *s.* 8 *d.*[2]

---

[1] [The references to Dupré de St. Maur and the *Essay* (see above, p. 181, note), as well a the whole argument of the paragraph, are from Messance, *Recherches sur la population de généralités d'Auvergne*, etc., p. 281. Messance's quotations are from Dupré's *Essai sur les Monnoies*, 1746, p. 68, and Herbert's *Essai sur la police générale des grains*, 1755, pp. ix, 77, 189; cp. below, p. 240.]

[2] [Above, pp. 37, 38.]

[3] [Examined below, p. 216.]

The bounty kept up the price between 1741 and 1750.

Between 1741 and 1750, however, the bounty must have hindered the price of corn from falling so low in the home market as it naturally would have done. During these ten years the quantity of all sorts of grain exported, it appears from the custom-house books, amounted to no less than eight millions twenty-nine thousand one hundred and fifty-six quarters one bushel. The bounty paid for this amounted to 1,514,962 *l.* 17 *s.* 4 *d.* ½.[3] In 1749 accordingly, Mr. Pelham, at that time prime minister, observed to the House of Commons, that for the three years[4] preceding, a very extraordinary sum had been paid as bounty for the exportation of corn. He had good reason to make this observation, and in the following year he might have had still better. In that single year the bounty paid amounted to no less than 324,176 *l.* 10 *s.* 6 *d.*[5] It is unnecessary to observe how much this forced exporta-

---

[1] [See the table at the end of the chapter.]

[2] [This figure is obtained, as recommended by Charles Smith (*Tracts on the Corn Trade*, 1766, p. 104), by deducting one-ninth for the greater size of the Windsor measure and one-ninth from the remainder for the difference between best and middling wheat.]

[3] ['Tract 3d,' referred to a few lines farther on, only gives the quantities of each kind of grain exported in each year (pp. 110, 111), so that if the figures in the text are taken from it they must have been obtained by somewhat laborious arithmetical operations. The particulars are as follows:—

	Exported.		Bounty payable.		
	Qr.	Bush.			
Wheat	3,784,524	1	£946,131	0	7½
Rye	765,056	6	133,884	18	7½
Barley, malt and oats	3,479,575	2	434,946	18	1½
	8,029,156	1	£1,514,962	17	4½]

[4] ['Years' is apparently a mistake for 'months'. 'There is such a superabundance of corn that incredible quantities have been lately exported. I should be afraid to mention what quantities have been exported if it did not appear upon our custom-house books; but from them it appears that lately there was in three months' time above £220,000 paid for bounties upon corn exported.'—*Parliamentary History* (Hansard), vol. xiv., p. 589.]

[5] See Tracts on the Corn Trade; Tract 3d. [This note appears first in ed. 2. The exports for 1750 are given in C. Smith, *op. cit.*, p. 111, as 947,602 qr. 1 bush. of wheat, 99,049 qr. 3 bush. of rye, and 559,538 qr. 5 bush. of barley, malt and oats. The bounty on these quantities would be £324,176 10s.]

tion must have raised the price of corn above what it otherwise would have been in the home market.

The sudden change at 1750 was due to accidental variation of the seasons.

At the end of the accounts annexed to this chapter the reader will find the particular account of those ten years separated from the rest. He will find there too the particular account of the preceding ten years, of which the average is likewise below, though not so much below, the general average of the sixty-four first years of the century. The year 1740, however, was a year of extraordinary scarcity. These twenty years preceding 1750, may very well be set in opposition to the twenty preceding 1770. As the former were a good deal below the general average of the century, notwithstanding the intervention of one or two dear years; so the latter have been a good deal above it, notwithstanding the intervention of one or two cheap ones, of 1759, for example. If the former have not been as much below the general average, as the latter have been above it, we ought probably to impute it to the bounty. The change has evidently been too sudden to be ascribed to any change in the value of silver, which is always slow and gradual. The suddenness of the effect can be accounted for only by a cause which can operate suddenly, the accidental variation of the seasons.

The rise in the price of labour has been due to increase of demand for labour, not to a diminution in the value of silver.

The money price of labour in Great Britain has, indeed, risen during the course of the present century. This, however, seems to be the effect, not so much of any diminution in the value of silver in the European market, as of an increase in the demand for labour in Great Britain, arising from the great, and almost universal prosperity of the country. In France, a country not altogether so prosperous, the money price of labour has, since the middle of the last century, been observed to sink gradually with the average money price of corn. Both in the last century and in the present, the day-wages of common labour are there said to have been pretty uniformly about the twentieth part of the average price of the septier of wheat, a measure which contains a little more than four Winchester bushels. In Great Britain the real recompence of labour, it has already been shown,[1] the real quantities[2] of the necessaries and conveniencies of life which are given to the labourer, has increased considerably during the course of the present century. The rise in its money price seems to have been the effect, not of any diminution of the value of silver in the general market of Europe, but of a rise in the real price of labour in the particular market of Great Britain, owing to the peculiarly happy circumstances of the country.

---

[1] [Above, pp. 78-80.]

[2] [Ed. 1, perhaps correctly, reads 'quantity'.]

The decrease in the rent and profit of mines of gold and silver

For some time after the first discovery of America, silver would continue to sell at its former, or not much below its former price. The profits of mining would for some time be very great, and much above their natural rate. Those who imported that metal into Europe, however, would soon find that the whole annual importation could not be disposed of at this high price. Silver would gradually exchange for a smaller and a smaller quantity of goods. Its price would sink gradually lower and lower till it fell to its natural price; or to what was just sufficient to pay, according to their natural rates, the wages of the labour, the profits of the stock, and the rent of the land, which must be paid in order to bring it from the mine to the market. In the greater part of the silver mines of Peru, the tax of the king of Spain, amounting to a tenth[1] of the gross produce, eats up, it has already been observed,[2] the whole rent of the land. This tax was originally a half; it soon afterwards fell to a third, then to a fifth, and at last to a tenth, at which rate it still continues.[3] In the greater part of the silver mines of Peru, this, it seems, is all that remains, after replacing the stock of the undertaker of the work, together with its ordinary profits; and it seems to be universally acknowledged that these profits, which were once very high, are now as low as they can well be, consistently with carrying on the works.

The tax of the king of Spain was reduced to a fifth part of the registered silver in 1504,[4] one-and-forty years before 1545,[5] the date of the discovery of the mines of Potosi. In the course of ninety years,[6] or before 1636, these mines, the most fertile in all America, had time sufficient to produce their full effect, or to reduce the value of silver in the European market as low as it could well fall, while it continued to pay this tax to the king of Spain. Ninety years[7] is time sufficient to reduce any commodity, of which there is no monopoly, to its natural price, or to the lowest price at which, while it pays a particular tax, it can continue to be sold for any considerable time together.

has been stayed by the gradual enlargement of the market,

The price of silver in the European market might perhaps have fallen still lower, and it might have become necessary either to reduce the tax upon it, not only to one tenth, as in 1736, but to one twentieth,[8] in the same manner as that upon gold, or to give up working the greater part of the American mines which are now wrought. The gradual increase of the demand for silver, or the gradual enlargement of the market for the produce of the silver mines of America, is probably the cause which has prevented this from happening, and which has not only kept up the value of silver in the European market, but has perhaps even raised it somewhat higher than it was about the middle of the last century.

---

[1] [Ed. 1 reads 'fifth'.]

[2] [Above, pp. 169-171.]

[3] [Ed. 1 reads 'fell to a third and then to a fifth, at which rate it still continues'.]

[4] Solorzano, vol. ii. [Solorzano-Pereira, *De Indiarum Jure*, Madrid, 1777, lib. v., cap. i., §§ 22, 23; vol. ii., p. 883, col. 2. Ed. 1 does not contain the note.]

[5] [Ed. 1 reads 'one and thirty years before 1535'. The date 1545 is given in Solorzano, *op. cit.*, vol. ii., p. 882, col. 2.]

[6] [Ed. 1 reads 'In the course of a century'.]

[7] [Ed. 1 reads 'A hundred years'.]

[8] [Ed. 1 reads 'lower' instead of 'reduce,' and does not contain 'not only to one-tenth, as in 1736, but to one-twentieth'. See above, p. 170, note.]

Since the first discovery of America, the market for the produce of its silver mines has been growing gradually more and more extensive.

(1) in Europe,

First, The market of Europe has become gradually more and more extensive. Since the discovery of America, the greater part of Europe has been much improved. England, Holland, France, and Germany; even Sweden, Denmark, and Russia, have all advanced considerably both in agriculture and in manufactures. Italy seems not to have gone backwards. The fall of Italy preceded the conquest of Peru. Since that time it seems rather to have recovered a little. Spain and Portugal, indeed, are supposed to have gone backwards. Portugal, however, is but a very small part of Europe, and the declension of Spain is not, perhaps, so great as is commonly imagined. In the beginning of the sixteenth century, Spain was a very poor country, even in comparison with France, which has been so much improved since that time. It was the well-known remark of the Emperor Charles V. who had travelled so frequently through both countries, that every thing abounded in France, but that every thing was wanting in Spain. The increasing produce of the agriculture and manufactures of Europe must necessarily have required a gradual increase in the quantity of silver coin to circulate it; and the increasing number of wealthy individuals must have required the like increase in the quantity of their plate and other ornaments of silver.

(2) in America itself,

Secondly, America is itself a new market for the produce of its own silver mines; and as its advances in agriculture, industry, and population, are much more rapid than those of the most thriving countries in Europe, its demand must increase much more rapidly. The English colonies are altogether a new market, which partly for coin and partly for plate, requires a continually augmenting supply of silver through a great continent where there never was any demand before. The greater part too of the Spanish and Portuguese colonies are altogether new markets. New Granada, the Yucatan, Paraguay, and the Brazils were, before discovered by the Europeans, inhabited by savage nations, who had neither arts nor agriculture. A considerable degree of both has now been introduced into all of them. Even Mexico and Peru, though they cannot be considered as altogether new markets, are certainly much more extensive ones than they ever were before. After all the wonderful tales which have been published concerning the splendid state of those countries in ancient times, whoever reads, with any degree of sober judgment, the history of their first discovery and conquest, will evidently discern that, in arts, agriculture, and commerce, their inhabitants were much more ignorant than the Tartars of the Ukraine are at present. Even the Peruvians, the more civilized nation of the two, though they made use of gold and silver as ornaments, had no coined money of any kind. Their whole commerce was carried on by barter, and there was accordingly scarce any division of labour among them. Those who cultivated the ground were obliged to build their own houses, to make their own houshold furniture, their own clothes, shoes, and instruments of agriculture. The few artificers among them are said to have been all maintained by the sovereign, the nobles, and the priests, and were probably their servants or slaves. All the ancient arts of Mexico and Peru have never furnished one single manufacture to Europe.[1] The Spanish armies, though they scarce ever exceeded five hundred men, and frequently did not amount to half that number, found almost every-where great difficulty in procuring subsistence. The famines which they are said to have occasioned almost wherever they went, in countries too which at the same time are represented as very populous and well-cultivated, sufficiently demonstrate that the story of this populousness and high cultivation is in a great measure fabulous. The Spanish colonies are under a government in many respects less favourable to agriculture, improvement and population, than that of the English colonies.[2] They seem, however, to be advancing in all these much more rapidly than any country in Europe. In a fertile soil and happy climate, the great abundance and cheapness of land, a circumstance common to all new colonies, is, it seems, so great an advantage as to compensate many defects in civil government. Frezier, who visited Peru in 1713, represents Lima as containing between twenty-five and twenty-eight thousand inhabitants.[3] Ulloa, who resided in the same country between 1740 and 1746, represents it as containing more than fifty thousand.[4] The difference in their accounts of the populousness of several other principal towns in Chili and Peru is nearly the same;[1] and as there seems to be no reason to doubt of the good information of either, it marks an increase which is scarce inferior to that of the English colonies. America, therefore, is a new market for the produce of its own silver mines, of which the demand must increase much more rapidly than that of the most thriving country in Europe.

---

[1] [Below, vol. ii., p. 70. Raynal, *Histoire philosophique*, Amsterdam ed. 1773, tom. iii., pp. 113, 116, takes the same view of the Peruvians.]

[2] [Below, vol. ii., pp. 68-89 *passim.*]

[3] [*Voyage to the South Sea*, p. 218, but the number mentioned is twenty-five to thirty thousand.]

[4] [*Voyage historique*, tom. i., p. 443, 445: 'sixteen to eighteen thousand persons of Spanish extraction, a comparatively small number of Indians and half-breeds, the greater part of the population being negroes and mulattoes.']

and (3) in the East Indies,

Thirdly, The East Indies is another market for the produce of the silver mines of America, and a market which, from the time of the first discovery of those mines, has been continually taking off a greater and a greater quantity of silver. Since that time, the direct trade between America and the East Indies, which is carried on by means of the Acapulco ships,[2] has been continually augmenting, and the indirect intercourse by the way of Europe has been augmenting in a still greater proportion. During the sixteenth century, the Portuguese were the only European nation who carried on any regular trade to the East Indies. In the last years of that century the Dutch began to encroach upon this monopoly, and in a few years expelled them from their principal settlements in India. During the greater part of the last century those two nations divided the most considerable part of the East India trade between them; the trade of the Dutch continually augmenting in a still greater proportion than that of the Portuguese declined. The English and French carried on some trade with India in the last century, but it has been greatly augmented in the course of the present. The East India trade of the Swedes and Danes began in the course of the present century. Even the Muscovites now trade regularly with China by a sort of caravans which go over land through Siberia and Tartary to Pekin. The East India trade of all these nations, if we except that of the French, which the last war had well nigh annihilated, has been almost continually augmenting. The increasing consumption of East India goods in Europe is, it seems, so great, as to afford a gradual increase of employment to them all. Tea, for example, was a drug very little used in Europe before the middle of the last century. At present the value of the tea annually imported by the English East India Company, for the use of their own countrymen, amounts to more than a million and a half a year; and even this is not enough; a great deal more being constantly smuggled into the country from the ports of Holland, from Gottenburg in Sweden, and from the coast of France too, as long as the French East India Company was in prosperity. The consumption of the porcelain of China, of the spiceries of the Moluccas, of the piece goods of Bengal, and of innumerable other articles, has increased very nearly in a like proportion. The tonnage accordingly of all the European shipping employed in the East India trade, at any one time during the last century, was not, perhaps, much greater than that of the English East India Company before the late reduction of their shipping.[1]

---

[1] [*E.g.*, Santiago and Callao, Frezier, *Voyage*, pp. 102, 202; Juan and Ulloa, *Voyage historique*, vol. i., p. 468; vol. ii., p. 49.]

[2] [Originally one ship, and, after 1720, two ships, were allowed to sail between Acapulco in Mexico and the Philippines. For the regulations applied to the trade see Uztariz, *Theory and Practice of Commerce and Maritime Affairs*, trans. by John Kippax, 1751, vol. i., pp. 206-208.]

where the value of gold and silver was, and still is, higher than in Europe.

But in the East Indies, particularly in China and Indostan, the value of the precious metals, when the Europeans first began to trade to those countries, was much higher than in Europe; and it still continues to be so. In rice countries, which generally yield two, sometimes three crops in the year, each of them more plentiful than any common crop of corn, the abundance of food must be much greater than in any corn country of equal extent. Such countries are accordingly much more populous. In them too the rich, having a greater super-abundance of food to dispose of beyond what they themselves can consume, have the means of purchasing a much greater quantity of the labour of other people. The retinue of a grandee in China or Indostan accordingly is, by all accounts, much more numerous and splendid than that of the richest subjects in Europe. The same super-abundance of food, of which they have the disposal, enables them to give a greater quantity of it for all those singular and rare productions which nature furnishes but in very small quantities; such as the precious metals and the precious stones, the great objects of the competition of the rich. Though the mines, therefore, which supplied the Indian market had been as abundant as those which supplied the European, such commodities would naturally exchange for a greater quantity of food in India than in Europe. But the mines which supplied the Indian market with the precious metals seem to have been a good deal less abundant, and those which supplied it with the precious stones a good deal more so, than the mines which supplied the European. The precious metals, therefore, would naturally exchange in India for somewhat a greater quantity of the precious stones, and for a much greater quantity of food[2] than in

---

[1] ['In order to prevent the great consumption of timber fit for the construction of large ships of war, the East India Company were prohibited from building, or allowing to be built for their service, any new ships, till the shipping in their employment should be reduced under 45,000 tons, or employing any ships built after 18th March, 1772. But they are at liberty to build any vessel whatever in India or the colonies, or to charter any vessel built in India or the colonies, 12 Geo. III., c. 54.'—Macpherson, *Annals of Commerce*, 1805, A.D. 1772, vol. iii., pp. 521, 522.]

[2] [Ed. 1 places 'in India' here instead of in the line above.]

Europe. The money price of diamonds, the greatest of all superfluities, would be somewhat lower, and that of food, the first of all necessaries, a great deal lower in the one country than in the other. But the real price of labour, the real quantity of the necessaries of life which is given to the labourer, it has already been observed,[1] is lower both in China and Indostan, the two great markets of India, than it is through the greater part of Europe. The wages of the labourer will there purchase a smaller quantity of food; and as the money price of food is much lower in India than in Europe, the money price of labour is there lower upon a double account; upon account both of the small quantity of food which it will purchase, and of the low price of that food. But in countries of equal art and industry, the money price of the greater part of manufactures will be in proportion to the money price of labour; and in manufacturing art and industry, China and Indostan, though inferior, seem not to be much inferior to any part of Europe. The money price of the greater part of manufactures, therefore, will naturally be much lower in those great empires than it is any-where in Europe. Through the greater part of Europe too the expence of land-carriage increases very much both the real and nominal price of most manufactures. It costs more labour, and therefore more money, to bring first the materials, and afterwards the complete manufacture to market. In China and Indostan the extent and variety of inland navigations save the greater part of this labour, and consequently of this money, and thereby reduce still lower both the real and the nominal price of the greater part of their manufactures. Upon all these accounts, the precious metals are a commodity which it always has been, and still continues to be, extremely advantageous to carry from Europe to India. There is scarce any commodity which brings a better price there; or which, in proportion to the quantity of labour and commodities which it costs in Europe, will purchase or command a greater quantity of labour and commodities in India. It is more advantageous too to carry silver thither than gold; because in China, and the greater part of the other markets of India, the proportion between fine silver and fine gold is but as ten, or at most as twelve,[2] to one; whereas in Europe it is as fourteen or fifteen to one. In China, and the greater part of the other markets of India, ten, or at most twelve, ounces of silver will purchase an ounce of gold . in Europe it requires from fourteen to fifteen ounces. In the cargoes, therefore, of the greater part of European ships which sail to India, silver has generally been one of the most valuable articles.[1] It is the most valuable article in the Acapulco ships which sail to Manilla. The silver of the new continent seems in this manner to be one of the principal commodities[2] by which the commerce between the two extremities of the old one is carried on, and it is by means of it, in a great measure,[3] that those distant parts of the world are connected with one another.

---

[1] [Above, pp. 74, 75.]

[2] [Ed. 1 does not contain 'or at most as twelve' here and two lines lower down.]

The supply of silver must provide for waste as well as increase of plate and coin.

In order to supply so very widely extended a market, the quantity of silver annually brought from the mines must not only be sufficient to support that continual increase both of coin and of plate which is required in all thriving countries; but to repair that continual waste and consumption of silver which takes place in all countries where that metal is used.

Waste is considerable.

The continual consumption of the precious metals in coin by wearing, and in plate both by wearing and cleaning, is very sensible; and in commodities of which the use is so very widely extended, would alone require a very great annual supply. The consumption of those metals in some particular manufactures, though it may not perhaps be greater upon the whole than this gradual consumption, is, however, much more sensible, as it is much more rapid. In the manufactures of Birmingham alone, the quantity of gold and silver annually employed in gilding and plating, and thereby disqualified from ever afterwards appearing in the shape of those metals, is said to amount to more than fifty thousand pounds sterling. We may from thence form some notion how great must be the annual consumption in all the different parts of the world, either in manufactures of the same kind with those of Birmingham, or in laces, embroideries, gold and silver stuffs, the gilding of books, furniture, &c. A considerable quantity too must be annually lost in transporting those metals from one place to another both by sea and by land. In the greater part of the governments of Asia, besides, the almost universal custom of concealing treasures in the bowels of the earth, of which the knowledge frequently dies with the person who makes the concealment, must occasion the loss of a still greater quantity.

Six millions of gold and silver are imported at Cadiz and Lisbon,

The quantity of gold and silver imported at both Cadiz and Lisbon (including not only what comes under register, but what may be supposed to be smuggled) amounts, according to the best accounts,[4] to about six millions sterling a year.

---

[1] [Newton, in his *Representation to the Lords of the Treasury*, 1717 (reprinted in the *Universal Merchant*, quoted on the next page), says that in China and Japan the ratio is 9 or 10 to 1 and in India 12 to 1, and this carries away the silver from all Europe. Magens, in a note to this passage (*Universal Merchant*, p. 90), says that down to 1732 such quantities of silver went to China to fetch back gold that the price of gold in China rose and it became no longer profitable to send silver there.]

[2] [Ed. 1 reads 'be the principal commodity'.]

[3] [Ed. 1 reads 'chiefly'.]

[4] [The same words are used below, p. 410.]

as shown by Magens,

According to Mr. Meggens[1] the annual importation of the precious metals into Spain, at an average of six years; viz. from 1748 to 1753, both inclusive; and into Portugal, at an average of seven years; viz. from 1747 to 1753, both inclusive;[2] amounted in silver to 1,101,107 pounds weight; and in gold to 49,940 pounds weight. The silver, at sixty-two shillings the pound Troy, amounts to 3,413,431 *l.* 10 *s.*[3] sterling. The gold, at forty-four guineas and a half the pound Troy, amounts to 2,333,446 *l.* 14 *s.* sterling. Both together amount to 5,746,878 *l.* 4 *s.* sterling. The account of what was imported under register, he assures us is exact. He gives us the detail of the particular places from which the gold and silver were brought, and of the particular quantity of each metal, which, according to the register, each of them afforded. He makes an allowance too for the quantity of each metal which he supposes may have been smuggled. The great experience of this judicious merchant renders his opinion of considerable weight.

Raynal,

According to the eloquent and, sometimes, well-informed Author of the Philosophical and Political History of the Establishment of the Europeans in the two Indies, the annual importation of registered gold and silver into Spain, at an average of eleven years; viz. from 1754 to 1764, both inclusive; amounted to 13,984,185¾[4] piastres of ten reals. On account of what may have been smuggled, however, the whole annual importation, he supposes, may have amounted to seventeen millions of piastres; which, at 4 *s.* 6 *d.* the piastre, is equal to 3,825,000 *l.* sterling. He gives the detail too of the particular places from which the gold and silver were brought, and of the particular quantities of each metal which, according to the register, each of them afforded.[5] He informs us too, that if we were to judge of the quantity of gold annually imported from the Brazils into Lisbon by the amount of the tax paid to the king of Portugal, which it seems is one-fifth of the standard metal, we might value it at eighteen millions of cruzadoes, or forty-five millions of French livres, equal to about two millions sterling. On account of what may have been smuggled, however, we may safely, he says, add to this sum an eighth more, or 250,000 *l.* sterling, so that the whole will amount to 2,250,000 *l.* sterling.[1] According to this account, therefore, the whole annual importation of the precious metals into both Spain and Portugal, amounts to about 6,075,000 *l.* sterling.

---

[1] Postscript to the Universal Merchant, p. 15 and 16. This Postscript was not printed till 1756, three years after the publication of the book, which has never had a second edition. The postscript is, therefore, to be found in few copies: It corrects several errors in the book. [This note appears first in ed. 2. The title of the work referred to is *Farther Explanations of some particular subjects relating to Trade, Coin, and Exchanges, contained in the Universal Merchant*, by N. M., 1756. On p. 1 N. M. claims the authorship of the book 'published by Mr. Horsley under the too pompous title of *The Universal Merchant*'. In the dedication of *The Universal Merchant*, 1753, William Horsley, the editor, says the author 'though an alien by birth is an Englishman by interest'. Sir James Steuart, who calls him 'Mr. Megens,' says he lived long in England and wrote the *Universal Merchant* in German, from which it had been translated (*Inquiry into the Principles of Political Economy*, 1767, vol. ii., pp. 158, 292). The *Gentleman's Magazine* for August, 1764, p. 398, contains in the obituary, under date August 18, 1764, 'Nicholas Magens Esq. a merchant worth £100,000.']

[2] [The two periods are really five years, April, 1748, to April, 1753, and six years, January, 1747, to January, 1753, but the averages are correct, being taken from Magens.]

[3] [The 10s. here should be 14s., and two lines lower down the 14s. should be 10s.]

[4] [Misprinted 13,984 185⅜ in ed. 2 and later editions.]

[5] [Raynal, *Histoire philosophique et politique des établissemens et du commerce des Européens dans les deux Indes*, Amsterdam ed., 1773, tom. iii., p. 310.]

and other authors.

Several other very well authenticated, though manuscript,[2] accounts, I have been assured, agree, in making this whole annual importation amount at an average to about six millions sterling; sometimes a little more, sometimes a little less.

This is not the whole of the annual supply, but by far the greater part

The annual importation of the precious metals into Cadiz and Lisbon, indeed, is not equal to the whole annual produce of the mines of America. Some part is sent annually by the Acapulco ships to Manilla; some part is employed in the contraband trade which the Spanish colonies carry on with those of other European nations; and some part, no doubt, remains in the country. The mines of America, besides, are by no means the only gold and silver mines in the world. They are, however, by far the most abundant. The produce of all the other mines which are known, is insignificant, it is acknowledged, in comparison with theirs; and the far greater part of their produce, it is likewise acknowledged, is annually imported into Cadiz and Lisbon. But the consumption of Birmingham alone, at the rate of fifty thousand pounds a year,[3] is equal to the hundred-and-twentieth part of this annual importation at the rate of six millions a year. The whole annual consumption of gold and silver, therefore, in all the different countries of the world where those metals are used, may perhaps be nearly equal to the whole annual produce. The remainder may be no more than sufficient to supply the increasing demand of all thriving countries. It may even have fallen so far short of this demand as somewhat to raise the price of those metals in the European market.

Brass and iron increase, but we do not expect them to fall in value. Why then gold and silver?

The quantity of brass and iron annually brought from the mine to the market is out of all proportion greater than that of gold and silver. We do not, however, upon this account, imagine that those coarse metals are likely to multiply beyond the demand, or to become gradually cheaper and cheaper. Why should we imagine that the precious metals are likely to do so? The coarse metals, indeed, though harder, are put to much harder uses, and, as they are of less value, less care is employed in their preservation. The precious metals, however, are not necessarily immortal any more than they, but are liable too to be lost, wasted, and consumed in a great variety of ways.

---

[1] [Raynal, *Histoire philosophique*, Amsterdam ed., 1773, tom. iii., p. 385.]

[2] [Ed. 1 does not contain 'though manuscript'.]

[3] [Above, p. 207.]

In consequence of their durability the metals, especially gold and silver, vary little in value from year to year.

The price of all metals, though liable to slow and gradual variations, varies less from year to year than that of almost any other part of the rude produce of land; and the price of the precious metals is even less liable to sudden variations than that of the coarse ones. The durableness of metals is the foundation of this extraordinary steadiness of price. The corn which was brought to market last year, will be all or almost all consumed long before the end of this year. But some part of the iron which was brought from the mine two or three hundred years ago, may be still in use, and perhaps some part of the gold which was brought from it two or three thousand years ago. The different masses of corn which in different years must supply the consumption of the world, will always be nearly in proportion to the respective produce of those different years. But the proportion between the different masses of iron which may be in use in two different years, will be very little affected by any accidental difference in the produce of the iron mines of those two years; and the proportion between the masses of gold will be still less affected by any such difference in the produce of the gold mines. Though the produce of the greater part of metallic mines, therefore, varies, perhaps, still more from year to year than that of the greater part of corn-fields, those variations have not the same effect upon the price of the one species of commodities, as upon that of the other.

Variations in the Proportion between the respective Values of Gold and Silver

After the discovery of the American mines silver fell in proportion to gold.

BEFORE the discovery of the mines of America, the value of fine gold to fine silver was regulated in the different mints of Europe, between the proportions of one to ten and one to twelve; that is, an ounce of fine gold was supposed to be worth from ten to twelve ounces of fine silver. About the middle of the last century it came to be regulated, between the proportions of one to fourteen and one to fifteen; that is, an ounce of fine gold came to be supposed worth between fourteen and fifteen ounces of fine silver. Gold rose in its nominal value, or in the quantity of silver which was given for it. Both metals sunk in their real value, or in the quantity of labour which they could purchase; but silver sunk more than gold. Though both the gold and silver mines of America exceeded in fertility all those which had ever been known before, the fertility of the silver mines had, it seems, been proportionably still greater than that of the gold ones.

It is higher in the East

The great quantities of silver carried annually from Europe to India, have, in some of the English settlements, gradually reduced the value of that metal in proportion to gold. In the mint of Calcutta, an ounce of fine gold is supposed to be worth fifteen ounces of fine silver, in the same manner as in Europe. It is in the mint perhaps rated too high for the value which it bears in the market of Bengal. In China, the proportion of gold to silver still continues as one to ten, or one to twelve.[1] In Japan, it is said to be as one to eight.[2]

Magens seems to think the proportion of value should be the same as the proportion of quantity,

The proportion between the quantities of gold and silver annually imported into Europe, according to Mr. Meggens's account, is as one to twenty-two nearly;[3] that is, for one ounce of gold there are imported a little more than twenty-two ounces of silver. The great quantity of silver sent annually to the East Indies, reduces, he supposes, the quantities of those metals which remain in Europe to the proportion of one to fourteen or fifteen, the proportion of their values. The proportion between their values, he seems to think,[4] must necessarily be the same as that between their quantities, and would therefore be as one to twenty-two, were it not for this greater exportation of silver.

but this is absurd.

But the ordinary proportion between the respective values of two commodities is not necessarily the same as that between the quantities of them which are commonly in the market. The price of an ox, reckoned at ten guineas, is about threescore times the price of a lamb, reckoned at *3 s.* 6 *d.* It would be absurd, however, to infer from thence, that there are commonly in the market threescore lambs for one ox: and it would be just as absurd to infer, because an ounce of gold will commonly purchase from fourteen to fifteen ounces of silver, that there are commonly in the market only fourteen or fifteen ounces of silver for one ounce of gold.

The whole of a cheap commodity is commonly worth more than the whole of a dear one, and this is the case with silver and gold.

The quantity of silver commonly in the market, it is probable, is much greater in proportion to that of gold, than the value of a certain quantity of gold is to that of an equal quantity of silver. The whole quantity of a cheap commodity brought to market, is commonly not only greater, but of greater value, than the whole quantity of a dear one. The whole quantity of bread annually brought to market, is not only greater, but of greater value than the whole quantity of butcher's-meat; the whole quantity of butcher's-meat, than the whole quantity of poultry; and the whole quantity of poultry, than the whole quantity of wild fowl. There are so many more purchasers for the cheap than for the dear commodity, that, not only a greater quantity of it, but a greater value, can commonly be disposed of. The whole quantity, therefore, of the cheap commodity must commonly be greater in proportion to the whole quantity of the dear one, than the value of a certain quantity of the dear one, is to the value of an equal quantity of the cheap one. When we compare the precious metals with one another, silver is a cheap, and gold a dear commodity. We ought naturally to expect, therefore, that there should always be in the market, not only a greater quantity, but a greater value of silver than of gold. Let any man, who has a little of both, compare his own silver with his gold plate, and he will probably find, that, not only the quantity, but the value of the former greatly exceeds that of the latter. Many people, besides, have a good deal of silver who have no gold plate, which, even with those who have it, is generally confined to watch-cases, snuff-boxes, and such like trinkets, of which the whole amount is seldom of great value. In the British coin, indeed, the value of the gold preponderates greatly, but it is not so in that of all countries. In the coin of some countries the value of the two metals is nearly equal. In the Scotch coin, before the union with England, the gold preponderated very little, though it did somewhat,[1] as it appears by the accounts of the mint. In the coin of many countries the silver preponderates. In France, the largest sums are commonly paid in that metal, and it is there difficult to get more gold than what is necessary to carry about in your pocket. The superior value, however, of the silver plate above that of the gold, which takes place in all countries, will much more than compensate the preponderancy of the gold coin above the silver, which takes place only in some countries.

---

[1] [Ed. 1 does not contain 'or one to twelve'.]

[2] [Cantillon gives one to ten for China and one to eight for Japan, *Essai*, p. 365.]

[3] [Above, pp. 208, 209. The exact figure given by Magens, *Farther Explanations*, p. 16, is 1 to $22\frac{1}{10}$.]

[4] [*Ibid.*, p. 17.]

Gold is nearer its lowest possible price than silver.

Though, in one sense of the word, silver always has been, and probably always will be, much cheaper than gold; yet in another sense, gold may, perhaps, in the present state of the Spanish[2] market, be said to be somewhat cheaper than silver. A commodity may be said to be

[1] See Ruddiman's Preface to Anderson's Diplomata, &c. Scotiæ. [*Selectus diplomatum et numismatum thesaurus* (quoted above, p. 184), pp. 84, 85; and in the translation, pp. 175, 176. But the statement that gold preponderated is founded merely on the fact that the value of the gold coined in the periods 16th December, 1602, to 19th July, 1606, and 20th September, 1611, to 14th April, 1613, was greater than that of the silver coined in the same time, which proves nothing about the proportions in the whole stock of coin. The statement is repeated below, p. 280. The note appears first in ed. 2.]

[2] [Ed. 1 reads 'European'.]

dear or cheap, not only according to the absolute greatness or smallness of its usual price, but according as that price is more or less above the lowest for which it is possible to bring it to market for any considerable time together. This lowest price is that which barely replaces, with a moderate profit, the stock which must be employed in bringing the commodity thither. It is the price which affords nothing to the landlord, of which rent makes not any component part, but which resolves itself altogether into wages and profit. But, in the present state of the Spanish[1] market, gold is certainly somewhat nearer to this lowest price than silver. The tax of the King of Spain upon gold is only one-twentieth part of the standard metal, or five per cent.; whereas his tax upon silver amounts to one-tenth part of it, or to ten per cent.[2] In these taxes too, it has already been observed,[3] consists the whole rent of the greater part of the gold and silver mines of Spanish America; and that upon gold is still worse paid than that upon silver. The profits of the undertakers of gold mines too, as they more rarely make a fortune, must, in general, be still more moderate than those of the undertakers of silver mines.[4] The price of Spanish gold, therefore, as it affords both less rent and less profit, must, in the Spanish[5] market, be somewhat nearer to the lowest price for which it is possible to bring it thither, than the price of Spanish silver. When all expences are computed, the whole quantity of the one metal, it would seem, cannot, in the Spanish market, be disposed of so advantageously as the whole quantity of the other.[6] The tax, indeed, of the King of Portugal[7] upon the gold of the Brazils, is the same with the ancient tax[8] of the King of Spain upon the silver of Mexico and Peru; or one-fifth part of the standard metal.[9] It may, therefore, be uncertain whether to the general market of Europe the whole mass of American gold comes at a price[10] nearer to the lowest for which it is possible to bring it thither, than the whole mass of American silver.

Diamonds are nearer still.

The price of diamonds and other precious stones may, perhaps, be still nearer to the lowest price at which it is possible to bring them to market, than even the price of gold.[11]

---

[1] [Ed. 1 reads 'European'.]
[2] [Ed. 1 reads 'one fifth part of it, or to twenty per cent.']
[3] [Above, pp. 169, 201.]
[4] [Above, p. 171.]
[5] [Ed. 1 reads 'European'.]
[6] [Ed. 1 places the 'it would seem' after 'computed,' omits 'in the Spanish market,' and puts the whole sentence at the end of the paragraph.]
[7] [Ed. 1 places the 'indeed' here.]
[8] [Ed. 1 reads 'that'.]
[9] [Above, p. 209.]
[10] [Ed. 1 reads 'It must still be true, however, that the whole mass of American gold comes to the European market at a price'.]
[11] [Ed. 1 contains another paragraph, 'Were the king of Spain to give up his tax upon silver, the price of that metal might not, upon that account, sink immediately in the European market. As long as the quantity brought thither continued the same as before, it would still continue to sell at the same price. The first and immediate effect of this change, would be to increase the profits of mining, the undertaker of the mine now gaining all that he had been

It may be necessary to reduce still further the tax on silver in Spanish America.

Though it is not very probable, that any part of a tax which is not only imposed upon one of the most proper subjects of taxation, a mere luxury and superfluity, but which affords so very important a revenue, as the tax upon silver, will ever be given up as long as it is possible to pay it; yet the same impossibility of paying it, which in 1736 made it necessary to reduce it from one-fifth to one-tenth,[1] may in time make it necessary to reduce it still further; in the same manner as it made it necessary to reduce the tax upon gold to one-twentieth.[2] That the silver mines of Spanish America, like all other mines, become gradually more expensive in the working, on account of the greater depths at which it is necessary to carry on the works, and of the greater expence of drawing out the water and of supplying them with fresh air at those depths, is acknowledged by every body who has enquired into the state of those mines.

The greater cost of raising silver must lead to an increase of its price, or a reduction of the tax upon it, or both.

These causes, which are equivalent to a growing scarcity of silver (for a commodity may be said to grow scarcer when it becomes more difficult and expensive to collect a certain quantity of it), must, in time, produce one or other of the three following events. The increase of the expence must either, first, be compensated altogether by a proportionable increase in the price of the metal; or, secondly, it must be compensated altogether by a proportionable diminution of the tax upon silver; or, thirdly, it must be compensated partly by the one, and partly by the other of those two expedients. This third event is very possible. As gold rose in its price in proportion to silver, notwithstanding a great diminution of the tax upon gold; so silver might rise in its price in proportion to labour and commodities, notwithstanding an equal diminution of the tax upon silver.

The reduction of the tax in the past makes silver at least 10 per cent. lower than it would otherwise have been.

Such successive reductions of the tax, however, though they may not prevent altogether, must certainly retard, more or less, the rise of the value of silver in the European market. In consequence of such reductions, many mines may be wrought which could not be wrought before, because they could not afford to pay the old tax; and the quantity of

used to pay to the king. These great profits would soon tempt a greater number of people to undertake the working of new mines. Many mines would be wrought which cannot be wrought at present, because they cannot afford to pay this tax, and the quantity of silver brought to market would, in a few years be so much augmented, probably, as to sink its price about one-fifth below its present standard. This diminution in the value of silver would again reduce the profits of mining nearly to their present rate.']

[1] [Above, pp. 169, 201.]

[2] [Ed. 1 reads from the beginning of the paragraph, 'It is not indeed very probable, that any part of a tax which affords so important a revenue, and which is imposed, too, upon one of the most proper subjects of taxation, will ever be given up as long as it is possible to pay it. The impossibility of paying it, however, may in time make it necessary to diminish it, in the same manner as it made it necessary to diminish the tax upon gold.']

silver annually brought to market must always be somewhat greater, and, therefore, the value of any given quantity somewhat less, than it otherwise would have been. In consequence of the reduction in 1736, the value of silver in the European market, though it may not at this day be lower than before that reduction, is, probably, at least ten per cent. lower than it would have been, had the Court of Spain continued to exact the old tax.[1]

Silver has probably risen somewhat in the present century.

That, notwithstanding this reduction, the value of silver has, during the course of the present century, begun to rise somewhat in the European market, the facts and arguments which have been alleged above, dispose me to believe, or more properly to suspect and conjecture; for the best opinion which I can form upon this subject scarce, perhaps, deserves the name of belief. The rise, indeed, supposing there has been any, has hitherto[2] been so very small, that after all that has been said, it may, perhaps, appear to many people uncertain, not only whether this event has actually taken place; but whether the contrary may not have taken place, or whether the value of silver may not still continue to fall in the European market.

The annual consumption must at length equal the annual importation,

It must be observed, however, that whatever may be the supposed annual importation of gold and silver, there must be a certain period, at which the annual consumption of those metals will be equal to that annual importation. Their consumption must increase as their mass increases, or rather in a much greater proportion. As their mass increases, their value diminishes. They are more used, and less cared for, and their consumption consequently increases in a greater proportion than their mass. After a certain period, therefore, the annual consumption of those metals must, in this manner, become equal to their annual importation, provided that importation is not continually increasing; which, in the present times, is not supposed to be the case.

and will then accommodate itself to changes in the importation.

If, when the annual consumption has become equal to the annual importation, the annual importation should gradually diminish, the annual consumption may, for some time, exceed the annual importation. The mass of those metals may gradually and insensibly diminish, and their value gradually and insensibly rise, till the annual importation becoming again stationary, the annual consumption will gradually and insensibly accommodate itself to what that annual importation can maintain.[3]

---

[1] [This paragraph appears first in ed. 2.]

[2] [Ed. 1 reads from the beginning of the paragraph, 'That the first of these three events has already begun to take place, or that silver has, during the course of the present century, begun to rise somewhat in its value in the European market, the facts and arguments which have been alledged above dispose me to believe. The rise, indeed, has hitherto'.]

[3] [The last two paragraphs appear first in Additions and Corrections and ed. 3.]

Grounds of the Suspicion that the Value of Silver still continues to decrease

Gold and silver are supposed to be still falling because they are increasing in quantity and some sorts of rude produce are rising.

THE increase of the wealth of Europe, and the popular notion that, as the quantity of the precious metals naturally increases with the increase of wealth, so their value diminishes as their quantity increases, may, perhaps,[1] dispose many people to believe that their value still continues to fall in the European market; and the still gradually increasing price of many parts of the rude produce of land may[2] confirm them still further in this opinion.

It has already been shown that the increase of the metals need not diminish their value:

That that increase in[3] the quantity of the precious metals, which arises in any country[4] from the increase of wealth, has no tendency to diminish their value, I have endeavoured to show already.[5] Gold and silver naturally resort to a rich country, for the same reason that all sorts of luxuries and curiosities resort to it; not because they are cheaper there than in poorer countries, but because they are dearer, or because a better price is given for them. It is the superiority of price which attracts them, and as soon as that superiority ceases, they necessarily cease to go thither.

and the rise of cattle, etc., is due to a rise in their real price, not to a fall of silver.

If you except corn and such other vegetables as are raised altogether by human industry, that all other sorts of rude produce, cattle, poultry, game of all kinds, the useful fossils and minerals of the earth, &c. naturally grow dearer as the society advances in wealth and improvement, I have endeavoured to show already.[6] Though such commodities, therefore, come to exchange for a greater quantity of silver than before, it will not from thence follow that silver has become really cheaper, or will purchase less labour than before, but that such commodities have become really dearer, or will purchase more labour than before. It is not their nominal price only, but their real price which rises in the progress of improvement. The rise of their nominal price is the effect, not of any degradation of the value of silver, but of the rise in their real price.

Different Effects of the Progress of Improvement upon three different Sorts of rude Produce

The real price of three sorts of rude produce rises in the progress of improvement:

THESE different sorts of rude produce may be divided into three classes. The first comprehends those which it is scarce in the power of human industry to multiply at all. The second, those which it can multiply in proportion to the demand. The third, those in which the efficacy of industry is either limited or uncertain. In the progress of wealth and improvement, the real price of the first may rise to any degree of extravagance, and seems not to be limited by any certain boundary. That of the second, though it may rise greatly, has, however, a certain boundary beyond which it cannot well pass for any considerable time together. That of the third, though its natural tendency is to rise in the progress of improvement, yet in the same degree of improvement it may sometimes happen even to fall, sometimes to continue the same, and sometimes to rise more or less, according as different accidents render the efforts of human industry, in multiplying this sort of rude produce, more or less successful.

---

[1] Ed. 1 reads 'may besides'.]

[2] [Ed. 1 reads 'perhaps' here.]

[3] [Ed. 1 reads 'That the increase of'.]

[4] [Ed. 1 places the 'which arises' here.]

[5] [Above, p. 188 ff.]

[6] [Above, pp. 175, 176.]

First Sort

(1) The sort which cannot be multiplied by human industry, such as game.

The first sort of rude produce of which the price rises in the progress of improvement, is that which it is scarce in the power of human industry to multiply at all. It consists in those things which nature produces only in certain quantities, and which being of a very perishable nature, it is impossible to accumulate together the produce of many different seasons. Such are the greater part of rare and singular birds and fishes, many different sorts of game, almost all wild-fowl, all birds of passage in particular, as well as many other things. When wealth and the luxury which accompanies it increase, the demand for these is likely to increase with them, and no effort of human industry may be able to increase the supply much beyond what it was before this increase of the demand. The quantity of such commodities, therefore, remaining the same, or nearly the same, while the competition to purchase them is continually increasing, their price may rise to any degree of extravagance, and seems not to be limited by any certain boundary. If woodcocks should become so fashionable as to sell for twenty guineas a-piece, no effort of human industry could increase the number of those brought to market, much beyond what it is at present. The high price paid by the Romans, in the time of their greatest grandeur, for rare birds and fishes, may in this manner easily be accounted for. These prices were not the effects of the low value of silver in those times, but of the high value of such rarities and curiosities as human industry could not multiply at pleasure. The real value of silver was higher at Rome, for some time before and after the fall of the republic, than it is through the greater part of Europe at present. Three sestertii, equal to about sixpence sterling, was the price which the republic paid for the modius or peck of the tithe wheat of Sicily. This price, however, was probably below the average market price, the obligation to deliver their wheat at this rate being considered as a tax upon the Sicilian farmers. When the Romans, therefore, had occasion to order more corn than the tithe of wheat amounted to, they were bound by capitulation to pay for the surplus at the rate of four sestertii, or eight-pence sterling, the peck;[1] and this had probably been reckoned the moderate and reasonable, that is, the ordinary or average contract price of those times; it is equal to about one-and-twenty shillings the quarter. Eight-and-twenty shillings the quarter was, before the late years of scarcity, the ordinary contract price of English wheat, which in quality is inferior to the Sicilian, and generally sells for a lower price in the European market. The value of silver, therefore, in those ancient times, must have been to its value in the present, as three to four inversely; that is, three ounces of silver would then have purchased the same quantity of labour and commodities which four ounces will do at present. When we read in Pliny, therefore, that Seius[2] bought a white nightingale, as a present for the empress Agrippina, at the price of six thousand sestertii, equal to about fifty pounds of our present money; and that Asinius Celer[3] purchased a surmullet at the price of eight thousand sestertii, equal to about sixty-six pounds thirteen shillings and four-pence of our present money; the extravagance of those prices, how much soever it may surprise us, is apt, notwithstanding, to appear to us about one-third less than it really was. Their real price, the quantity of labour and subsistence which was given away for them, was about one-third more than their nominal price is apt to express to us in the present times. Seius gave for the nightingale the command of a quantity of labour and subsistence equal to what 66 *l.* 13 *s.* 4 *d.* would purchase in the present times; and Asinius Celer gave for the surmullet the command of a quantity equal to what 88 *l.* 17 *s.* 9 *d.* ⅓, would purchase. What occasioned the extravagance of those high prices was, not so much the abundance of silver, as the abundance of labour and subsistence, of which those Romans had the disposal, beyond what was necessary for their own use. The quantity of silver, of which they had the disposal, was a good deal less than what the command of the same quantity of labour and subsistence would have procured to them in the present times.

---

[1] [As mentioned above, p. 151. Cicero, *In Verr.*, Act. II., lib. iii., c. 70, is the authority.]

[2] Lib. x. c. 29. [‘Scio sestertiis sex candidam alioquin, quod est prope inusitatum, venisse, quae Agrippinae Claudii principis conjugi dono daretur.’ ‘Seius’ seems to be the result of misreading ‘Scio’.]

[3] Lib. ix. c. 17. [This and the previous note appear first in ed. 2.]

Second Sort

(2) The sort which can be multiplied at will, *e.g.* cattle, poultry.

The second sort of rude produce of which the price rises in the progress of improvement, is that which human industry can multiply in proportion to the demand. It consists in those useful plants and animals, which, in uncultivated countries, nature produces with such profuse abundance, that they are of little or no value, and which, as cultivation advances, are therefore forced to give place to some more profitable produce. During a long period in the progress of improvement, the quantity of these is continually diminishing, while at the same time the demand for them is continually increasing. Their real value, therefore, the real quantity of labour which they will purchase or command, gradually rises, till at last it gets so high as to render them as profitable a produce as any thing else which human industry can raise upon the most fertile and best cultivated land. When it has got so high it cannot well go higher. If it did, more land and more industry would soon be employed to increase their quantity.

When it becomes profitable to cultivate land to yield food for cattle, the price of cattle cannot go higher.

When the price of cattle, for example, rises so high that it is as profitable to cultivate land in order to raise food for them, as in order to raise food for man, it cannot well go higher. If it did, more corn land would soon be turned into pasture. The extension of tillage, by diminishing the quantity of wild pasture, diminishes the quantity of butcher's-meat which the country naturally produces without labour or cultivation, and by increasing the number of those who have either corn, or, what comes to the same thing, the price of corn, to give in exchange for it, increases the demand. The price of butcher's-meat, therefore, and consequently of cattle, must gradually rise till it gets so high, that it becomes as profitable to employ the most fertile and best cultivated lands in raising food for them as in raising corn. But it must always be late in the progress of improvement before tillage can be so far extended as to raise the price of cattle to this height; and till it has got to this height, if the country is advancing at all, their price must be continually rising. There are, perhaps, some parts of Europe in which the price of cattle has not yet got to this height. It had not got to this height in any part of Scotland before the union.[1] Had the Scotch cattle been always confined to the market of Scotland, in a country in which the quantity of land, which can be applied to no other purpose but the feeding of cattle, is so great in proportion to what can be applied to other purposes, it is scarce possible, perhaps, that their price could ever have risen so high as to render it profitable to cultivate land for the sake of feeding them. In England, the price of cattle, it has already been observed,[1] seems, in the neighbourhood of London, to have got to this height about the beginning of the last century; but it was much later probably before it got to it through the greater part of the remoter counties; in some of which, perhaps, it may scarce yet have got to it. Of all the different substances, however, which compose this second sort of rude produce, cattle is, perhaps, that of which the price, in the progress of improvement, first rises to this height.

---

[1] [Above, pp. 150, 163.]

It must go to this height in order to secure complete cultivation.

Till the price of cattle, indeed, has got to this height, it seems scarce possible that the greater part, even of those lands which are capable of the highest cultivation, can be completely cultivated. In all farms too distant from any town to carry manure from it, that is, in the far greater part of those of every extensive country, the quantity of well-cultivated land must be in proportion to the quantity of manure which the farm itself produces; and this again must be in proportion to the stock of cattle which are maintained upon it. The land is manured either by pasturing the cattle upon it, or by feeding them in the stable, and from thence carrying out their dung to it. But unless the price of the cattle be sufficient to pay both the rent and profit of cultivated land, the farmer cannot afford to pasture them upon it; and he can still less afford to feed them in the stable. It is with the produce of improved and cultivated land only, that cattle can be fed in the stable; because to collect the scanty and scattered produce of waste and unimproved lands would require too much labour and be too expensive. If the price of the cattle, therefore, is not sufficient to pay for the produce of improved and cultivated land, when they are allowed to pasture it, that price will be still less sufficient to pay for that produce when it must be collected with a good deal of additional labour, and brought into the stable to them. In these circumstances, therefore, no more cattle can, with profit, be fed in the stable than what are necessary for tillage. But these can never afford manure enough for keeping constantly in good condition, all the lands which they are capable of cultivating. What they afford being insufficient for the whole farm, will naturally be reserved for the lands to which it can be most advantageously or conveniently applied; the most fertile, or those, perhaps, in the neighbourhood of the farm-yard. These, therefore, will be kept constantly in good condition and fit for tillage. The rest will, the greater part of them, be allowed to lie waste, producing scarce any thing but some miserable pasture, just sufficient to keep alive a a few straggling, half-starved cattle; the farm, though much under-stocked in proportion to what would be necessary for its complete cultivation, being very frequently overstocked in proportion to its actual produce. A portion of this waste land, however, after having been pastured in this wretched manner for six or seven years together, may be ploughed up, when it will yield, perhaps, a poor crop or two of bad oats, or of some other coarse grain, and then, being entirely exhausted, it must be rested and pastured again as before, and another portion ploughed up to be in the same manner exhausted and rested again in its turn. Such accordingly was the general system of management all over the low country of Scotland before the union. The lands which were kept constantly well manured and in good condition, seldom exceeded a third or a fourth part of the whole farm, and sometimes did not amount to a fifth or a sixth part of it. The rest were never manured, but a certain portion of them was in its turn, notwithstanding, regularly cultivated and exhausted. Under this system of management, it is evident, even that part of the lands of Scotland which is capable of good cultivation, could produce but little in comparison of what it may be capable of producing. But how disadvantageous soever this system may appear, yet before the union the low price of cattle seems to have rendered it almost unavoidable. If, notwithstanding a great rise in their price, it still continues to prevail through a considerable part of the country, it is owing, in many places, no doubt, to ignorance and attachment to old customs, but in most places to the unavoidable obstructions which the natural course of things opposes to the immediate or speedy establishment of a better system: first, to the poverty of the tenants, to their not having yet had time to acquire a stock of cattle sufficient to cultivate their lands more completely, the same rise of price which would render it advantageous for them to maintain a greater stock, rendering it more difficult for them to acquire it; and, secondly, to their not having yet had time to put their lands in condition to maintain this greater stock properly, supposing they were capable of acquiring it. The increase of stock and the improvement of land are two events which must go hand in hand, and of which the one can no-where much out-run the other. Without some increase of stock, there can be scarce any improvement of land, but there can be no considerable increase of stock but in consequence of a considerable improvement of land; because otherwise the land could not maintain it. These natural obstructions to the establishment of a better system, cannot be removed but by a long course of frugality and industry; and half a century or a century more, perhaps, must pass away before the old system, which is wearing out gradually, can be completely abolished through all the different parts of the country. Of all the commercial[1] advantages, however, which Scotland has derived from the union with England, this rise in the price of cattle is, perhaps, the greatest. It has not only raised the value of all highland estates, but it has, perhaps, been the principal cause of the improvement of the low country.

---

[1] [Above, p. 152, and cp. below, p. 224.]

Consequently new colonies are poorly cultivated.

In all new colonies the great quantity of waste land, which can for many years be applied to no other purpose but the feeding of cattle, soon renders them extremely abundant, and in every thing great cheapness is the necessary consequence of great abundance. Though all the cattle of the European colonies in America were originally carried from Europe, they soon multiplied so much there, and became of so little value, that even horses were allowed to run wild in the woods without any owner thinking it worth while to claim them. It must be a long time after the first establishment of such colonies, before it can become profitable to feed cattle upon the produce of cultivated land. The same causes, therefore, the want of manure, and the disproportion between the stock employed in cultivation, and the land which it is destined to cultivate, are likely to introduce there a system of husbandry not unlike that which still continues to take place in so many parts of Scotland. Mr. Kalm, the Swedish traveller, when he gives an account of the husbandry of some of the English colonies in North America, as he found it in 1749, observes, accordingly, that he can with difficulty discover there the character of the English nation, so well skilled in all the different branches of agriculture. They make scarce any manure for their corn fields, he says; but when one piece of ground has been exhausted by continual cropping, they clear and cultivate another piece of fresh land; and when that is exhausted, proceed to a third. Their cattle are allowed to wander through the woods and other uncultivated grounds, where they are half-starved; having long ago extirpated almost all the annual grasses by cropping them too early in the spring, before they had time to form their flowers, or to shed their seeds.[2] The annual grasses were, it seems, the best natural grasses in that part of North America; and when the Europeans first settled there, they used to grow very thick, and to rise three or four feet high. A piece of ground which, when he wrote, could not maintain one cow, would in former times, he was assured, have maintained four, each of which would have given four times the quantity of milk which that one was capable of giving. The poorness of the pasture had, in his opinion, occasioned the degradation of their cattle, which degenerated sensibly from one generation to another. They were probably not unlike that stunted breed which was common all over Scotland thirty or forty years ago, and which is now so much mended through the greater part of the low country, not so much by a change of the breed, though that expedient has been employed in some places, as by a more plentiful method of feeding them.

---

[1] [Eds. 1-3 read 'of all commercial'.]

[2] Kalm's Travels, vol. i. p. 343, 344. [*Travels into North America, containing its natural history and a circumstantial account of its Plantations and Agriculture in general, with the civil, ecclesiastical and commercial state of the country, the manners of the inhabitants and several curious and important remarks on various subjects*, by Peter Kalm, Professor of Œconomy in the University of Aobo, in Swedish Finland, and member of the S. Royal Academy of Sciences. Translated by John Reinhold Forster, F.A.S., 3 vols., 1770. The note appears first in ed. 2.]

Cattle are the first of this second sort of rude produce to bring in the price necessary to secure cultivation,

Though it is late, therefore, in the progress of improvement before cattle can bring such a price as to render it profitable to cultivate land for the sake of feeding them; yet of all the different parts which compose this second sort of rude produce, they are perhaps the first which bring this price; because till they bring it, it seems impossible that improvement can be brought near even to that degree of perfection to which it has arrived in many parts of Europe.

and venison is the last;

As cattle are among the first, so perhaps venison is among the last parts of this sort of rude produce which bring this price. The price of venison in Great Britain, how extravagant soever it may appear, is not near sufficient to compensate the expence of a deer park, as is well known to all those who have had any experience in the feeding of deer. If it was otherwise, the feeding of deer would soon become an article of common farming; in the same manner as the feeding of those small birds called Turdi was among the ancient Romans. Varro and Columella assure us that it was a most profitable article.[1] The fattening of ortolans, birds of passage which arrive lean in the country, is said to be so in some parts of France. If venison continues in fashion, and the wealth and luxury of Great Britain increase as they have done for some time past, its price may very probably rise still higher than it is at present.

other things are intermediate,

Between that period in the progress of improvement which brings to its height the price of so necessary an article as cattle, and that which brings to it the price of such a superfluity as venison, there is a very long interval, in the course of which many other sorts of rude produce gradually arrive at their highest price, some sooner and some later, according to different circumstances.

such as poultry,

Thus in every farm the offals of the barn and stables will maintain a certain number of poultry. These, as they are fed with what would otherwise be lost, are a mere save-all; and as they cost the farmer scarce any thing, so he can afford to sell them for very little. Almost all that he gets is pure gain, and their price can scarce be so low as to discourage him from feeding this number. But in countries ill cultivated, and, therefore, but thinly inhabited, the poultry, which are thus raised without expence, are often fully sufficient to supply the whole demand. In this state of things, therefore, they are often as cheap as butcher's-meat, or any other sort of animal food. But the whole quantity of poultry, which the farm in this manner produces without expence, must always be much smaller than the whole quantity of butcher's-meat which is reared upon it; and in times of wealth and luxury what is rare, with only nearly equal merit, is always preferred to what is common. As wealth and luxury increase, therefore, in consequence of improvement and cultivation, the price of poultry gradually rises above that of butcher's-meat, till at last it gets so high that it becomes profitable to cultivate land for the sake of feeding them. When it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. In several provinces of France, the feeding of poultry is considered as a very important article in rural œconomy, and sufficiently profitable to encourage the farmer to raise a considerable quantity of Indian corn and buck-wheat for this purpose. A middling farmer will there sometimes have four hundred fowls in his yard. The feeding of poultry seems scarce yet to be generally considered as a matter of so much importance in England. They are certainly, however, dearer in England than in France, as England receives considerable supplies from France. In the progress of improvement, the period at which every particular sort of animal food is dearest, must naturally be that which immediately precedes the general practice of cultivating land for the sake of raising it. For some time before this practice becomes general, the scarcity must necessarily raise the price. After it has become general, new methods of feeding are commonly fallen upon, which enable the farmer to raise upon the same quantity of ground a much greater quantity of that particular sort of animal food. The plenty not only obliges him to sell cheaper, but in consequence of these improvements he can afford to sell cheaper; for if he could not afford it, the plenty would not be of long continuance. It has been probably in this manner that the introduction of clover, turnips, carrots, cabbages, &c. has contributed to sink the common price of butcher's-meat in the London market somewhat below what it was about the beginning of the last century.

---

[1] [Varro, *De re rustica*, iii., 2, and Columella, *De re rustica*, viii., 10, *ad fin.*, where Varro is quoted.]

hogs, The hog, that finds his food among ordure, and greedily devours many things rejected by every other useful animal, is, like poultry, originally kept as a save-all. As long as the number of such animals, which can thus be reared at little or no expence, is fully sufficient to supply the demand, this sort of butcher's-meat comes to market at a much lower price than any other. But when the demand rises beyond what this quantity can supply, when it becomes necessary to raise food on purpose for feeding and fattening hogs, in the same manner as for feeding and fattening other cattle, the price necessarily rises, and becomes proportionably either higher or lower than that of other butcher's-meat, according as the nature of the country, and the state of its agriculture, happen to render the feeding of hogs more or less expensive than that of other cattle. In France, according to Mr. Buffon, the price of pork is nearly equal to that of beef.[1] In most parts of Great Britain it is at present somewhat higher.

The great rise in the price both of hogs and poultry has in Great Britain been frequently imputed to the diminution of the number of cottagers and other small occupiers of land; an event which has in every part of Europe been the immediate forerunner of improvement and better cultivation, but which at the same time may have contributed to raise the price of those articles, both somewhat sooner and somewhat faster than it would otherwise have risen. As the poorest family can often maintain a cat or a dog, without any expence, so the poorest occupiers of land can commonly maintain a few poultry, or a sow and a few pigs, at very little. The little offals of their own table, their whey, skimmed milk and butter-milk, supply those animals with a part of their food, and they find the rest in the neighbouring fields without doing any sensible damage to any body. By diminishing the number of those small occupiers, therefore, the quantity of this sort of provisions which is thus produced at little or no expence, must certainly have been a good deal diminished, and their price must consequently have been raised both sooner and faster than it would otherwise have risen. Sooner or later, however, in the progress of improvement, it must at any rate have risen to the utmost height to which it is capable of rising; or to the price which pays the labour and expence of cultivating the land which furnishes them with food as well as these are paid upon the greater part of other cultivated land.

milk, butter, and cheese.

The business of the dairy, like the feeding of hogs and poultry, is originally carried on as a save-all. The cattle necessarily kept upon the farm, produce more milk than either the rearing of their own young, or the consumption of the farmer's family requires; and they produce most at one particular season. But of all the productions of land, milk is perhaps the most perishable. In the warm season, when it is most abundant, it will scarce keep four-and-twenty hours. The farmer, by making it into fresh butter, stores a small part of it for a week: by making it into salt butter, for a year: and by making it into cheese, he stores a much greater part of it for several years. Part of all these is reserved for the use of his own family. The rest goes to market, in order to find the best price which is to be had, and which can scarce be so low as to discourage him from sending thither whatever is over and above the use of his own family. If it is very low, indeed, he will be likely to manage his dairy in a very slovenly and dirty manner, and will scarce perhaps think it worth while to have a particular room or building on purpose for it, but will suffer the business to be carried on amidst the smoke, filth, and nastiness of his own kitchen; as was the case of almost all the farmers dairies in Scotland thirty or forty years ago, and as is the case of many of them still. The same causes which gradually raise the price of butcher's-meat, the increase of the demand, and, in consequence of the improvement of the country, the diminution of the quantity which can be fed at little or no expence, raise, in the same manner, that of the produce of the dairy, of which the price naturally connects with that of butcher's-meat, or with the expence of feeding cattle. The increase of price pays for more labour, care, and cleanliness. The dairy becomes more worthy of the farmer's attention, and the quality of its produce gradually improves. The price at last gets so high that it becomes worth while to employ some of the most fertile and best cultivated lands in feeding cattle merely for the purpose of the dairy; and when it has got to this height, it cannot well go higher. If it did, more land would soon be turned to this purpose. It seems to have got to this height through the greater part of England, where much good land is commonly employed in this manner. If you except the neighbourhood of a few considerable towns, it seems not yet to have got to this height anywhere in Scotland, where common farmers seldom employ much good land in raising food for cattle merely for the purpose of the dairy. The price of the produce, though it has risen very considerably within these few years, is probably still too low to admit of it. The inferiority of the quality, indeed, compared with that of the produce of English dairies, is fully equal to that of the price. But this inferiority of quality is, perhaps, rather the effect of this lowness of price than the cause of it. Though the quality was much better, the greater part of what is brought to market could not,

---

[1] [*Histoire Naturelle*, vol. v. (1755), p. 122.]

I apprehend, in the present circumstances of the country, be disposed of at a much better price; and the present price, it is probable, would not pay the expence of the land and labour necessary for producing a much better quality. Through the greater part of England, notwithstanding the superiority of price, the dairy is not reckoned a more profitable employment of land than the raising of corn, or the fattening of cattle, the two great objects of agriculture. Through the greater part of Scotland, therefore, it cannot yet be even so profitable.

The rise of price, being necessary for good cultivation, should be regarded with satisfaction.

The lands of no country, it is evident, can ever be completely cultivated and improved, till once the price of every produce, which human industry is obliged to raise upon them, has got so high as to pay for the expence of complete improvement and cultivation. In order to do this, the price of each particular produce must be sufficient, first, to pay the rent of good corn land, as it is that which regulates the rent of the greater part of other cultivated land; and secondly, to pay the labour and expence of the farmer as well as they are commonly paid upon good corn-land; or, in other words, to replace with the ordinary profits the stock which he employs about it. This rise in the price of each particular produce, must evidently be previous to the improvement and cultivation of the land which is destined for raising it. Gain is the end of all improvement, and nothing could deserve that name of which loss was to be the necessary consequence. But loss must be the necessary consequence of improving land for the sake of a produce of which the price could never bring back the expence. If the complete improvement and cultivation of the country be, as it most certainly is, the greatest of all public advantages, this rise in the price of all those different sorts of rude produce, instead of being considered as a public calamity, ought to be regarded as the necessary forerunner and attendant of the greatest of all public advantages.

It is due not to a fall of silver but to a rise in the real price of the produce.

This rise too in the nominal or money-price of all those different sorts of rude produce has been the effect, not of any degradation in the value of silver, but of a rise in their real price. They have become worth, not only a greater quantity of silver, but a greater quantity of labour and subsistence than before. As it costs a greater quantity of labour and subsistence to bring them to market, so when they are brought thither, they represent or are equivalent to a greater quantity.

Third Sort

(3) The sort in regard to which the efficacy of industry is limited or uncertain,

The third and last sort of rude produce, of which the price naturally rises in the progress of improvement, is that in which the efficacy of human industry, in augmenting the quantity, is either limited or uncertain. Though the real price of this sort of rude produce, therefore, naturally tends to rise in the progress of improvement, yet, according as different accidents happen to render the efforts of human industry more or less successful in augmenting the quantity, it may happen sometimes even to fall, sometimes to continue the same in very different periods of improvement, and sometimes to rise more or less in the same period.

e.g. wool and hides, which are appendages to other sorts of produce.

There are some sorts of rude produce which nature has rendered a kind of appendages to other sorts; so that the quantity of the one which any country can afford, is necessarily limited by that of the other. The quantity of wool or of raw hides, for example, which any country can afford, is necessarily limited by the number of great and small cattle that are kept in it. The state of its improvement, and the nature of its agriculture, again necessarily determine this number.

Wool and hides in early times have a larger market open to them than butcher's-meat.

The same causes, which, in the progress of improvement, gradually raise the price of butcher's-meat, should have the same effect, it may be thought, upon the prices of wool and raw hides, and raise them too nearly in the same proportion. It probably would be so, if in the rude beginnings of improvement the market for the latter commodities was confined within as narrow bounds as that for the former. But the extent of their respective markets is commonly extremely different.

The market for butcher's-meat is almost every-where confined to the country which produces it. Ireland, and some part of British America indeed, carry on a considerable trade in salt provisions; but they are, I believe, the only countries in the commercial world which do so, or which export to other countries any considerable part of their butcher's-meat.

The market for wool and raw hides, on the contrary, is in the rude beginnings of improvement very seldom confined to the country which produces them. They can easily be transported to distant countries, wool without any preparation, and raw hides with very little: and as they are the materials of many manufactures, the industry of other countries may occasion a demand for them, though that of the country which produces them might not occasion any.

In thinly inhabited countries

In countries ill cultivated, and therefore but thinly inhabited, the price of the wool and the hide bears always a much greater proportion the wool and hide are more valuable in proportion to the carcase.

to that of the whole beast, than in countries where, improvement and population being further advanced, there is more demand for butcher's-meat. Mr. Hume observes, that in the Saxon times, the fleece was estimated at two-fifths of the value of the whole sheep, and that this was much above the proportion of its present estimation.[1] In some provinces of Spain, I have been assured, the sheep is frequently killed merely for the sake of the fleece and the tallow. The carcase is often left to rot upon the ground, or to be devoured by beasts and birds of prey. If this sometimes happens even in Spain, it happens almost constantly in Chili, at Buenos Ayres,[2] and in many other parts of Spanish America, where the horned cattle are almost constantly killed merely for the sake of the hide and the tallow. This too used to happen almost constantly in Hispaniola, while it was infested by the Buccaneers, and before the settlement, improvement, and populousness of the French plantations (which now extend round the coast of almost the whole western half of the island) had given some value to the cattle of the Spaniards, who still continue to possess, not only the eastern part of the coast, but the whole inland and mountainous part of the country.

In the progress of improvement the wool and hide should rise, though not so much as the carcase

Though in the progress of improvement and population, the price of the whole beast necessarily rises, yet the price of the carcase is likely to be much more affected by this rise than that of the wool and the hide. The market for the carcase, being in the rude state of society confined always to the country which produces it, must necessarily be extended in proportion to the improvement and population of that country. But the market for the wool and the hides even of a barbarous country often extending to the whole commercial world, it can very seldom be enlarged in the same proportion. The state of the whole commercial world can seldom be much affected by the improvement of any particular country; and the market for such commodities may remain the same, or very nearly the same, after such improvements, as before. It should, however, in the natural course of things rather upon the whole be somewhat extended in consequence of them. If the manufactures, especially, of which those commodities are the materials, should ever come to flourish in the country, the market, though it might not be much enlarged, would at least be brought much nearer to the place of growth than before; and the price of those materials might at least be increased by what had usually been the expence of transporting them to distant countries. Though it might not rise therefore in the same proportion as that of butcher's-meat, it ought naturally to rise somewhat, and it ought certainly not to fall.

---

[1] [*History*, ed. of 1773, vol. i., p. 226.]

[2] [Juan and Ulloa, *Voyage historique*, 2de ptie, liv. i., chap. v., vol. i., p. 552.]

But in England wool has fallen since 1339.

In England, however, notwithstanding the flourishing state of its woollen manufacture, the price of English wool has fallen very considerably since the time of Edward III. There are many authentic records which demonstrate that during the reign of that prince (towards the middle of the fourteenth century, or about 1339) what was reckoned the moderate and reasonable price of the tod or twenty-eight pounds of English wool was not less than ten shillings of the money of those times,[1] containing, at the rate of twenty-pence the ounce, six ounces of silver Tower-weight, equal to about thirty shillings of our present money. In the present times, one-and-twenty shillings the tod may be reckoned a good price for very good English wool. The money-price of wool, therefore, in the time of Edward III, was to its money-price in the present times as ten to seven. The superiority of its real price was still greater. At the rate of six shillings and eightpence the quarter, ten shillings was in those ancient times the price of twelve bushels of wheat. At the rate of twenty-eight shillings the quarter, one-and-twenty shillings is in the present times the price of six bushels only. The proportion between the real prices of ancient and modern times, therefore, is as twelve to six, or as two to one. In those ancient times a tod of wool would have purchased twice the quantity of subsistence which it will purchase at present; and consequently twice the quantity of labour, if the real recompence of labour had been the same in both periods.

This has been caused by artificial regulations.

This degradation both in the real and nominal value of wool, could never have happened in consequence of the natural course of things. It has accordingly been the effect of violence and artifice: First, of the absolute prohibition of exporting wool from England;[2] Secondly, of the permission of importing it from Spain[3] duty free; Thirdly, of the prohibition of exporting it from Ireland to any other country but England. In consequence of these regulations, the market for English wool, instead of being somewhat extended in consequence of the improvement of England, has been confined to the home market, where the wool of several other countries[4] is allowed to come into competition with it, and where that of Ireland is forced into competition with it. As the woollen manufactures too of Ireland are fully as much discouraged as is consistent with justice and fair dealing, the Irish can work up but a small part of their own wool at home, and are, therefore, obliged to send a greater proportion of it to Great Britain, the only market they are allowed.

---

[1] See Smith's Memoirs of Wool, vol. i. c. 5, 6, and 7; also, vol. ii. c. 176. [Ed. 1 does not give the volumes and chapters. The work was *Chronicon Rusticum-Commerciale, or Memoirs of Wool, etc.*, by John Smith, and published 1747; see below, vol. ii., p. 150.]

[2] [See below, vol. ii., p. 146, and Smith's *Memoirs of Wool*, vol. i., pp. 159, 170, 182.]

[3] [Eds. 1 and 2 read 'importing it from all other countries'.]

[4] [Eds. 1 and 2 read 'wool of all other countries'.]

The real price of hides at present is somewhat lower than in the fifteenth century,

I have not been able to find any such authentic records concerning the price of raw hides in ancient times. Wool was commonly paid as a subsidy to the king, and its valuation in that subsidy ascertains, at least in some degree, what was its ordinary price. But this seems not to have been the case with raw hides. Fleetwood, however, from an account in 1425, between the prior of Burcester Oxford and one of his canons, gives us their price, at least as it was stated, upon that particular occasion; viz. five ox hides at twelve shillings; five cow hides at seven shillings and three pence; thirty-six sheep skins of two years old at nine shillings; sixteen calves skins at two shillings.[1] In 1425, twelve shillings contained about the same quantity of silver as four-and-twenty shillings of our present money. An ox hide, therefore, was in this account valued at the same quantity of silver as 4 *s.* $\frac{4}{5}$ths of our present money. Its nominal price was a good deal lower than at present. But at the rate of six shillings and eight-pence the quarter, twelve shillings would in those times have purchased fourteen bushels and four-fifths of a bushel of wheat, which, at three and six-pence the bushel, would in the present times cost 51 *s.* 4 *d.* An ox hide, therefore, would in those times have purchased as much corn as ten shillings and three-pence would purchase at present. Its real value was equal to ten shillings and three-pence of our present money. In those ancient times, when the cattle were half starved during the greater part of the winter, we cannot suppose that they were of a very large size. An ox hide which weighs four stone of sixteen pounds averdupois, is not in the present times reckoned a bad one; and in those ancient times would probably have been reckoned a very good one. But at half a crown the stone, which at this moment (February 1773) I understand to be the common price, such a hide would at present cost only ten shillings. Though its nominal price, therefore, is higher in the present than it was in those ancient times, its real price, the real quantity of subsistence which it will purchase or command, is rather somewhat lower. The price of cow hides, as stated in the above account, is nearly in the common proportion to that of ox hides. That of sheep skins is a good deal above it. They had probably been sold with the wool. That of calves skins, on the contrary, is greatly below it. In countries where the price of cattle is very low, the calves, which are not intended to be reared in order to keep up the stock, are generally killed very young; as was the case in Scotland twenty or thirty years ago. It saves the milk, which their price would not pay for. Their skins, therefore, are commonly good for little.

---

[1] [*Chronicon preciosum*, ed. of 1707, p. 100, quoting from Kennet's *Par. Ant.* Burcester is the modern Bicester.]

but their average price during the present century is probably higher.

The price of raw hides is a good deal lower at present than it was a few years ago; owing probably to the taking off the duty upon seal skins, and to the allowing, for a limited time, the importation of raw hides from Ireland and from the plantations duty free, which was done in 1769.[1] Take the whole of the present century at an average, their real price has probably been somewhat higher than it was in those ancient times. The nature of the commodity renders it not quite so proper for being transported to distant markets as wool. It suffers more by keeping. A salted hide is reckoned inferior to a fresh one, and sells for a lower price. This circumstance must necessarily have some tendency to sink the price of raw hides produced in a country which does not manufacture them, but is obliged to export them; and comparatively to raise that of those produced in a country which does manufacture them. It must have some tendency to sink their price in a barbarous, and to raise it in an improved and manufacturing country. It must have had some tendency therefore to sink it in ancient, and to raise it in modern times. Our tanners besides have not been quite so successful as our clothiers, in convincing the wisdom of the nation, that the safety of the commonwealth depends upon the prosperity of their particular manufacture. They have accordingly been much less favoured. The exportation of raw hides has, indeed, been prohibited, and declared a nuisance:[2] but their importation from foreign countries has been subjected to a duty;[3] and though this duty has been taken off from those of Ireland and the plantations (for the limited time of five years only), yet Ireland has not been confined to the market of Great Britain for the sale of its surplus hides, or of those which are not manufactured at home. The hides of common cattle have but within these few years been put among the enumerated commodities which the plantations can send

They are not so easily transported as wool,

and tanners have not been so much favoured by legislation as clothiers.

---

[1] [9 Geo. III., c. 39, for five years; continued by 14 Geo. III., c. 86, and 21 Geo. III., c. 29.]

[2] [By 5 Eliz., c. 22; 8 Eliz., c. 14; 18 Eliz., c. 9; 13 and 14 Car. II., c. 7, which last uses the words 'common and public nuisance'. See Blackstone, *Commentaries*, vol. iv., pp. 167-169.]

[3] [9 Ann., c. 11.]

no-where but to the mother country; neither has the commerce of Ireland been in this case oppressed hitherto, in order to support the manufactures of Great Britain.

Regulations which sink the price of wool or hides in an improved country raise the price of meat,

Whatever regulations tend to sink the price either of wool or of raw hides below what it naturally would be, must, in an improved and cultivated country, have some tendency to raise the price of butcher's-meat. The price both of the great and small cattle, which are fed on improved and cultivated land, must be sufficient to pay the rent which the landlord, and the profit which the farmer has reason to expect from improved and cultivated land. If it is not, they will soon cease to feed them. Whatever part of this price, therefore, is not paid by the wool and the hide, must be paid by the carcase. The less there is paid for the one, the more must be paid for the other. In what manner this price is to be divided upon the different parts of the beast, is indifferent to the landlords and farmers, provided it is all paid to them. In an improved and cultivated country, therefore, their interest as landlords and farmers cannot be much affected by such regulations, though their interest as consumers may, by the rise in the price of provisions.[1] It would be quite otherwise, however, in an unimproved and uncultivated country, where the greater part of the lands could be applied to no other purpose but the feeding of cattle, and where the wool and the hide made the principal part of the value of those cattle. Their interest as landlords and farmers would in this case be very deeply affected by such regulations, and their interest as consumers very little. The fall in the price of the wool and the hide, would not in this case raise the price of the carcase; because the greater part of the lands of the country being applicable to no other purpose but the feeding of cattle, the same number would still continue to be fed. The same quantity of butcher's-meat would still come to market. The demand for it would be no greater than before. Its price, therefore, would be the same as before. The whole price of cattle would fall, and along with it both the rent and the profit of all those lands of which cattle was the principal produce, that is, of the greater part of the lands of the country. The perpetual prohibition of the exportation of wool, which is commonly, but very falsely, ascribed to Edward III,[2] would, in the then circumstances of the country, have been the most destructive regulation which could well have been thought of. It would not

but not in an unimproved country.

---

[1] [This passage, from the beginning of the paragraph, is quoted at length below, vol. ii., p. 151.]

[2] [John Smith, *Memoirs of Wool*, vol. i., p. 25, explains that the words 'It shall be felony to carry away any wool out of the realm until it be otherwise ordained' do not imply a perpetual prohibition.]

only have reduced the actual value of the greater part of the lands of the kingdom, but by reducing the price of the most important species of small cattle, it would have retarded very much its subsequent improvement.

The Union sank the price of Scotch wool, while it raised the price of Scotch meat.

The wool of Scotland fell very considerably in its price in consequence of the union with England, by which it was excluded from the great market of Europe, and confined to the narrow one of Great Britain. The value of the greater part of the lands in the southern counties of Scotland, which are chiefly a sheep country, would have been very deeply affected by this event, had not the rise in the price of butcher's-meat fully compensated the fall in the price of wool.

The efficacy of industry in increasing wool and hides is both limited and uncertain.

As the efficacy of human industry, in increasing the quantity either of wool or of raw hides, is limited, so far as it depends upon the produce of the country where it is exerted; so it is uncertain so far as it depends upon the produce of other countries. It so far depends, not so much upon the quantity which they produce, as upon that which they do not manufacture; and upon the restraints which they may or may not think proper to impose upon the exportation of this sort of rude produce. These circumstances, as they are altogether independent of domestic industry, so they necessarily render the efficacy of its efforts more or less uncertain. In multiplying this sort of rude produce, therefore, the efficacy of human industry is not only limited, but uncertain.

The same thing is true of fish, which naturally rise in the progress of improvement.

In multiplying another very important sort of rude produce, the quantity of fish that is brought to market, it is likewise both limited and uncertain. It is limited by the local situation of the country, by the proximity or distance of its different provinces from the sea, by the number of its lakes and rivers, and by what may be called the fertility or barrenness of those seas, lakes and rivers, as to this sort of rude produce. As population increases, as the annual produce of the land and labour of the country grows greater and greater, there come to be more buyers of fish, and those buyers too have a greater quantity and variety of other goods, or, what is the same thing, the price of a greater quantity and variety of other goods, to buy with. But it will generally be impossible to supply the great and extended market without employing a quantity of labour greater than in proportion to what had been requisite for supplying the narrow and confined one. A market which, from requiring only one thousand, comes to require annually ten thousand ton of fish, can seldom be supplied without employing more than ten times the quantity of labour which had before been sufficient to supply it. The fish must generally be sought for at a greater distance, larger vessels must be employed, and more expensive machinery of every kind made use of. The real price of this commodity, therefore, naturally rises in the progress of improvement. It has accordingly done so, I believe, more or less in every country.

The connexion of success in fishing with the state of improvement is uncertain.

Though the success of a particular day's fishing may be a very uncertain matter, yet, the local situation of the country being supposed, the general efficacy of industry in bringing a certain quantity of fish to market, taking the course of a year, or of several years together, it may perhaps be thought, is certain enough; and it, no doubt, is so. As it depends more, however, upon the local situation of the country, than upon the state of its wealth and industry; as upon this account it may in different countries be the same in very different periods of improvement, and very different in the same period; its connection with the state of improvement is uncertain, and it is of this sort of uncertainty that I am here speaking.

In increasing minerals the efficacy of industry is not limited but uncertain.

In increasing the quantity of the different minerals and metals which are drawn from the bowels of the earth, that of the more precious ones particularly, the efficacy of human industry seems not to be limited, but to be altogether uncertain.

The quantity of the precious metals in a country depends on its power of purchasing and the fertility of the mines

The quantity of the precious metals which is to be found in any country is not limited by any thing in its local situation, such as the fertility or barrenness of its own mines. Those metals frequently abound in countries which possess no mines. Their quantity in every particular country seems to depend upon two different circumstances; first, upon its power of purchasing, upon the state of its industry, upon the annual produce of its land and labour, in consequence of which it can afford to employ a greater or a smaller quantity of labour and subsistence in bringing or purchasing such superfluities as gold and silver, either from its own mines or from those of other countries; and, secondly, upon the fertility or barrenness of the mines which may happen at any particular time to supply the commercial world with those metals. The quantity of those metals in the countries most remote from the mines, must be more or less affected by this fertility or barrenness, on account of the easy and cheap transportation of those metals, of their small bulk and great value. Their quantity in China and Indostan must have been more or less affected by the abundance of the mines of America.

So far as it depends on the former circumstance the real price is

So far as their quantity in any particular country depends upon the former of those two circumstances (the power of purchasing), their real price, like that of all other luxuries and superfluities, is likely to rise with the wealth and improvement of the country, and to fall with its likely to rise with improvement;

poverty and depression. Countries which have a great quantity of labour and subsistence to spare, can afford to purchase any particular quantity of those metals at the expence of a greater quantity of labour and subsistence, than countries which have less to spare.

so far as it depends on the latter circumstance the real price will vary with the fertility of the mines,

So far as their quantity in any particular country depends upon the latter of those two circumstances (the fertility or barrenness of the mines which happen to supply the commercial world) their real price, the real quantity of labour and subsistence which they will purchase or exchange for, will, no doubt, sink more or less in proportion to the fertility, and rise in proportion to the barrenness, of those mines.

which has no connexion with the state of industry.

The fertility or barrenness of the mines, however, which may happen at any particular time to supply the commercial world, is a circumstance which, it is evident, may have no sort of connection with the state of industry in a particular country. It seems even to have no very necessary connection with that of the world in general. As arts and commerce, indeed, gradually spread themselves over a greater and a greater part of the earth, the search for new mines, being extended over a wider surface, may have somewhat a better chance for being successful, than when confined within narrower bounds. The discovery of new mines, however, as the old ones come to be gradually exhausted, is a matter of the greatest uncertainty, and such as no human skill or industry can ensure. All indications, it is acknowledged, are doubtful, and the actual discovery and successful working of a new mine can alone ascertain the reality of its value, or even of its existence. In this search there seem to be no certain limits either to the possible success, or to the possible disappointment of human industry. In the course of a century or two, it is possible that new mines may be discovered more fertile than any that have ever yet been known; and it is just equally possible that the most fertile mine then known may be more barren than any that was wrought before the discovery of the mines of America. Whether the one or the other of those two events may happen to take place, is of very little importance to the real wealth and prosperity of the world, to the real value of the annual produce of the land and labour of mankind. Its nominal value, the quantity of gold and silver by which this annual produce could be expressed or represented, would, no doubt, be very different; but its real value, the real quantity of labour which it could purchase or command, would be precisely the same. A shilling might in the one case represent no more labour than a penny does at present; and a penny in the other might represent as much as a shilling does now. But in the one case he who had a shilling in his pocket, would be no richer than he who has a penny at present; and in the other he who had a penny would be just as rich as he who has a shilling now. The cheapness and abundance of gold and silver plate, would be the sole advantage which the world could derive from the one event, and the dearness and scarcity of those trifling superfluities the only inconveniency it could suffer from the other.

Conclusion of the Digression concerning the Variations in the Value of Silver

The high value of the precious metals is no proof of poverty and barbarism,

THE greater part of the writers who have collected the money prices of things in ancient times, seem to have considered the low money price of corn, and of goods in general, or, in other words, the high value of gold and silver, as a proof, not only of the scarcity of those metals, but of the poverty and barbarism of the country at the time when it took place. This notion is connected with the system of political œconomy which represents national wealth as consisting in the abundance, and national poverty in the scarcity, of gold and silver; a system which I shall endeavour to explain and examine at great length in the fourth book of this enquiry. I shall only observe at present, that the high value of the precious metals can be no proof of the poverty or barbarism of any particular country at the time when it took place. It is a proof only of the barrenness of the mines which happened at that time to supply the commercial world. A poor country, as it cannot afford to buy more, so it can as little afford to pay dearer for gold and silver than a rich one; and the value of those metals, therefore, is not likely to be higher in the former than in the latter. In China, a country much richer than any part of Europe,[1] the value of the precious metals is much higher than in any part of Europe. As the wealth of Europe, indeed, has increased greatly since the discovery of the mines of America, so the value of gold and silver has gradually diminished. This diminution of their value, however, has not been owing to the increase of the real wealth of Europe, of the annual produce of its land and labour, but to the accidental discovery of more abundant mines than any that were known before. The increase of the quantity of gold and silver in Europe, and the increase of its manufactures and agriculture, are two events which, though they have happened nearly about the same time, yet have arisen from very different causes, and have scarce any natural connection with one another. The one has arisen from a mere accident, in which neither prudence nor policy either had or could have any share: The other from the fall of the feudal system, and from the establishment of a government which afforded to industry the only encouragement which it requires, some tolerable security that it shall enjoy the fruits of its own labour. Poland, where the feudal system still continues to take place, is at this day as beggarly a country as it was before the discovery of America. The money price of corn, however, has risen; the real value of the precious metals has fallen in Poland, in the same manner as in other parts of Europe. Their quantity, therefore, must have increased there as in other places, and nearly in the same proportion to the annual produce of its land and labour. This increase of the quantity of those metals, however, has not, it seems, increased that annual produce, has neither improved the manufactures and agriculture of the country, nor mended the circumstances of its inhabitants. Spain and Portugal, the countries which possess the mines, are, after Poland, perhaps, the two most beggarly countries in Europe. The value of the precious metals, however, must be lower in Spain and Portugal than in any other part of Europe; as they come from those countries to all other parts of Europe, loaded, not only with a freight and an insurance, but with the expence of smuggling, their exportation being either prohibited, or subjected to a duty. In proportion to the annual produce of the land and labour, therefore, their quantity must be greater in those countries than in any other part of Europe: Those countries, however, are poorer than the greater part of Europe. Though the feudal system has been abolished in Spain and Portugal, it has not been succeeded by a much better.

---

[1] [The same words occur above, p. 189.]

As the low value of gold and silver, therefore, is no proof of the wealth and flourishing state of the country where it takes place; so neither is their high value, or the low money price either of goods in general, or of corn in particular, any proof of its poverty and barbarism.

but the low price of cattle, poultry, game, &c., is a proof of poverty or barbarism.

But though the low money price either of goods in general, or of corn in particular, be no proof of the poverty or barbarism of the times, the low money price of some particular sorts of goods, such as cattle, poultry, game of all kinds, &c.[1] in proportion to that of corn, is a most decisive one. It clearly demonstrates, first, their great abundance in proportion to that of corn, and consequently the great extent of the land which they occupied in proportion to what was occupied by corn; and, secondly, the low value of this land in proportion to that of corn land, and consequently the uncultivated and unimproved state of the far greater part of the lands of the country. It clearly demonstrates that the stock and population of the country did not bear the same proportion to the extent of its territory, which they commonly do in civilized countries, and that society was at that time, and in that country, but in its infancy. From the high or low money price either of goods in general, or of corn in particular, we can infer only that the mines which at that time happened to supply the commercial world with gold and silver, were fertile or barren, not that the country was rich or poor. But from the high or low money price of some sorts of goods in proportion to that of others, we can infer, with a degree of probability that approaches almost to certainty, that it was rich or poor, that the greater part of its lands were improved or unimproved, and that it was either in a more or less barbarous state, or in a more or less civilized one.

---

[1] [Ed. 1 does not contain '&c.']

A rise of price due entirely to degradation of silver would affect all goods equally, but corn has risen much less than other provisions,

Any rise in the money price of goods which proceeded altogether from the degradation of the value of silver, would affect all sorts of goods equally, and raise their price universally a third, or a fourth, or a fifth part higher, according as silver happened to lose a third, or a fourth, or a fifth part of its former value.[1] But the rise in the price of provisions, which has been the subject of so much reasoning and conversation, does not affect all sorts of provisions equally. Taking the course of the present century at an average, the price of corn, it is acknowledged, even by those who account for this rise by the degradation of the value of silver, has risen much less than that of some other sorts of provisions. The rise in the price of those other sorts of provisions, therefore, cannot be owing altogether to the degradation of the value of silver. Some other causes must be taken into the account, and those which have been above assigned, will, perhaps, without having recourse to the supposed degradation of the value of silver, sufficiently explain this rise in those particular sorts of provisions of which the price has actually risen in proportion to that of corn.

and has indeed been somewhat lower in 1701-64 than in 1637-1700

As to the price of corn itself, it has, during the sixty-four first years of the present century, and before the late extraordinary course of bad seasons, been somewhat lower than it was during the sixty-four last years of the preceding century. This fact is attested, not only by the accounts of Windsor market,[2] but by the public fiars[3] of all the different counties of Scotland, and by the accounts of several different markets in France, which have been collected with great diligence and fidelity by Mr. Messance,[1] and by Mr. Duprè de St. Maur.[2] The evidence is more complete than could well have been expected in a matter which is naturally so very difficult to be ascertained.

---

[1] [The arithmetic is slightly at fault. It should be, 'happened to lose a fourth, a fifth, or a sixth part of its former value'.]

[2] [Below, pp. 256, 257.]

[3] [Above, p. 78.]

while its recent high price has been due only to bad seasons.

As to the high price of corn during these last ten or twelve years, it can be sufficiently accounted for from the badness of the seasons, without supposing any degradation in the value of silver.

The opinion, therefore, that silver is continually sinking in its value, seems not to be founded upon any good observations, either upon the prices of corn, or upon those of other provisions.

The distinction between a rise of prices and a fall in the value of silver is not useless:

The same quantity of silver, it may, perhaps, be said, will in the present times, even according to the account which has been here given, purchase a much smaller quantity of several sorts of provisions than it would have done during some part of the last century; and to ascertain whether this change be owing to a rise in the value of those goods, or to a fall in the value of silver, is only to establish a vain and useless distinction, which can be of no sort of service to the man who has only a certain quantity of silver to go to market with, or a certain fixed revenue in money. I certainly do not pretend that the knowledge of this distinction will enable him to buy cheaper. It may not, however, upon that account be altogether useless.

it affords an easy proof of the prosperity of the country,

It may be of some use to the public by affording an easy proof of the prosperous condition of the country. If the rise in the price of some sorts of provisions be owing altogether to a fall in the value of silver, it is owing to a circumstance from which nothing can be inferred but the fertility of the American mines. The real wealth of the country, the annual produce of its land and labour, may, notwithstanding this circumstance, be either gradually declining, as in Portugal and Poland; or gradually advancing, as in most other parts of Europe. But if this rise in the price of some sorts of provisions be owing to a rise in the real value of the land which produces them, to its increased fertility; or, in consequence of more extended improvement and good cultivation, to its having been rendered fit for producing corn; it is owing to a circumstance which indicates in the clearest manner the prosperous and advancing state of the country. The land constitutes by far the greatest, the most important, and the most durable part of the wealth of every extensive country. It may surely be of some use, or, at least, it may give some satisfaction to the Public, to have so decisive a proof of the increasing value of by far the greatest, the most important, and the most durable part of its wealth.

---

[1] [*Recherches sur la Population*, pp. 293-304.]

[2] [*Essai sur les monnoies ou réflexions sur le rapport entre l'argent et les denrées*, 1746, esp. p. 181 of the 'Variations dans les prix'.]

and may be of use in regulating the wages of the inferior servants of the state.

It may too be of some use to the Public in regulating the pecuniary reward of some of its inferior servants. If this rise in the price of some sorts of provisions be owing to a fall in the value of silver, their pecuniary reward, provided it was not too large before, ought certainly to be augmented in proportion to the extent of this fall. If it is not augmented, their real recompence will evidently be so much diminished. But if this rise of price is owing to the increased value, in consequence of the improved fertility of the land which produces such provisions, it becomes a much nicer matter to judge either in what proportion any pecuniary reward ought to be augmented, or whether it ought to be augmented at all. The extension of improvement and cultivation, as it necessarily raises more or less, in proportion to the price of corn, that of every sort of animal food, so it as necessarily lowers that of, I believe, every sort of vegetable food. It raises the price of animal food; because a great part of the land which produces it, being rendered fit for producing corn, must afford to the landlord and farmer the rent and profit of corn land. It lowers the price of vegetable food; because, by increasing the fertility of the land, it increases its abundance. The improvements of agriculture too introduce many sorts of vegetable food, which, requiring less land and not more labour than corn, come much cheaper to market. Such are potatoes and maize, or what is called Indian corn, the two most important improvements which the agriculture of Europe, perhaps, which Europe itself, has received from the great extension of its commerce and navigation. Many sorts of vegetable food, besides, which in the rude state of agriculture are confined to the kitchen-garden, and raised only by the spade, come in its improved state to be introduced into common fields, and to be raised by the plough: such as turnips, carrots, cabbages, &c. If in the progress of improvement, therefore, the real price of one species of food necessarily rises, that of another as necessarily falls, and it becomes a matter of more nicety to judge how far the rise in the one may be compensated by the fall in the other. When the real price of butcher's-meat has once got to its height (which, with regard to every sort, except, perhaps, that of hogs flesh, it seems to have done through a great part of England more than a century ago), any rise which can afterwards happen in that of any other sort of animal food, cannot much affect the circumstances of the inferior ranks of people. The circumstances of the poor through a great part of England cannot surely be so much distressed by any rise in the price of poultry, fish, wild-fowl, or venison, as they must be relieved by the fall in that of potatoes.

The poor are more distressed by the artificial rise of some manufactures than by the natural rise of rude produce other than corn.

In the present season of scarcity the high price of corn no doubt distresses the poor. But in times of moderate plenty, when corn is at its ordinary or average price, the natural rise in the price of any other sort of rude produce cannot much affect them. They suffer more, perhaps, by the artificial rise which has been occasioned by taxes in the price of some manufactured commodities; as of salt, soap, leather, candles, malt, beer, and ale, &c.

Effects of the Progress of Improvement upon the real Price of Manufactures

But the natural effect of improvement is to diminish the price of manufactures.

IT is the natural effect of improvement, however, to diminish gradually the real price of almost all manufactures. That of the manufacturing workmanship diminishes, perhaps, in all of them without exception. In consequence of better machinery, of greater dexterity, and of a more proper division and distribution of work, all of which are the natural effects of improvement, a much smaller quantity of labour becomes requisite for executing any particular piece of work; and though, in consequence of the flourishing circumstances of the society, the real price of labour should rise very considerably, yet the great diminution of the quantity will generally much more than compensate the greatest rise which can happen in the price.[1]

In a few manufactures the rise in the price of raw material counterbalances improvement in execution,

There are, indeed, a few manufactures, in which the necessary rise in the real price of the rude materials will more than compensate all the advantages which improvement can introduce into the execution of the work. In carpenters and joiners work, and in the coarser sort of cabinet work, the necessary rise in the real price of barren timber, in consequence of the improvement of land, will more than compensate all the advantages which can be derived from the best machinery, the greatest dexterity, and the most proper division and distribution of work.

but in other cases price falls considerably.

But in all cases in which the real price of the rude materials either does not rise at all, or does not rise very much, that of the manufactured commodity sinks very considerably.

Since 1600 this has been most remarkable in manufactures made of the coarser metals.

This diminution of price has, in the course of the present and preceding century, been most remarkable in those manufactures of which the materials are the coarser metals. A better movement of a watch, than about the middle of the last century could have been bought for twenty pounds, may now perhaps be had for twenty shillings. In the work of cutlers and locksmiths, in all the toys[1] which are made of the coarser metals, and in all those goods which are commonly known by the name of Birmingham and Sheffield ware, there has been, during the same period, a very great reduction of price, though not altogether so great as in watch-work. It has, however, been sufficient to astonish the workmen of every other part of Europe, who in many cases acknowledge that they can produce no work of equal goodness for double, or even for triple the price. There are perhaps no manufactures in which the division of labour can be carried further, or in which the machinery employed admits of a greater variety of improvements, than those of which the materials are the coarser metals.

---

[1] [Above, p. 88.]

Clothing has not fallen much in the same period,

In the clothing manufacture there has, during the same period, been no such sensible reduction of price. The price of superfine cloth, I have been assured, on the contrary, has, within these five-and-twenty or thirty years, risen somewhat in proportion to its quality; owing, it was said, to a considerable rise in the price of the material, which consists altogether of Spanish wool. That of the Yorkshire cloth, which is made altogether of English wool, is said indeed, during the course of the present century, to have fallen a good deal in proportion to its quality. Quality, however, is so very disputable a matter, that I look upon all information of this kind as somewhat uncertain. In the clothing manufacture, the division of labour is nearly the same now as it was a century ago, and the machinery employed is not very different. There may, however, have been some small improvements in both, which may have occasioned some reduction of price.

but very considerably since the fifteenth century.

But[2] the reduction will appear much more sensible and undeniable, if we compare the price of this manufacture in the present times with what it was in a much remoter period, towards the end of the fifteenth century, when the labour was probably much less subdivided, and the machinery employed much more imperfect, than it is at present.

Fine cloth has fallen to less than one-third of its price in 1487,

In 1487, being the 4th of Henry VII.[3] it was enacted, that "whosoever shall sell by retail a broad yard of the finest scarlet grained, or of "other grained cloth of the finest making, above sixteen shillings, "shall forfeit forty shillings for every yard so sold." Sixteen shillings, therefore, containing about the same quantity of silver as four-and-twenty shillings of our present money, was, at that time, reckoned not an unreasonable price for a yard of the finest cloth; and as this is a sumptuary law, such cloth, it is probable, had usually been sold somewhat dearer. A guinea may be reckoned the highest price in the present times. Even though the quality of the cloths, therefore, should be supposed equal, and that of the present times is most probably much superior, yet, even upon this supposition, the money price of the finest cloth appears to have been considerably reduced since the end of the fifteenth century. But its real price has been much more reduced. Six shillings and eight-pence was then, and long afterwards, reckoned the average price of a quarter of wheat. Sixteen shillings, therefore, was the price of two quarters and more than three bushels of wheat. Valuing a quarter of wheat in the present times at eight-and-twenty shillings, the real price of a yard of fine cloth must, in those times, have been equal to at least three pounds six shillings and sixpence of our present money. The man who bought it must have parted with the command of a quantity of labour and subsistence equal to what that sum would purchase in the present times.

---

[1] [*Lectures*, pp. 159, 164.]

[2] [Ed. 1 does not contain 'but'.]

[3] [C. 8.]

and coarse cloth has fallen to less than one half of its price in 1463.

The reduction in the real price of the coarse manufacture, though considerable, has not been so great as in that of the fine.

In 1463, being the 3d of Edward IV.[1] it was enacted, that "no "servant in husbandry, nor common labourer, nor servant to any artifi-"cer inhabiting out of a city or burgh, shall use or wear in their clothing "any cloth above two shillings the broad yard." In the 3d of Edward IV. two shillings contained very nearly the same quantity of silver as four of our present money. But the Yorkshire cloth which is now sold at four shillings the yard, is probably much superior to any that was then made for the wearing of the very poorest order of common servants. Even the money price of their clothing, therefore, may, in proportion to the quality, be somewhat cheaper in the present than it was in those ancient times. The real price is certainly a good deal cheaper. Ten-pence was then reckoned what is called the moderate and reasonable price of a bushel of wheat. Two shillings, therefore, was the price of two bushels and near two pecks of wheat, which in the present times, at three shillings and sixpence the bushel, would be worth eight shillings and nine-pence. For a yard of this cloth the poor servant must have parted with the power of purchasing a quantity of subsistence equal to what eight shillings and nine-pence would purchase in the present times. This is a sumptuary law too, restraining the luxury and extravagance of the poor. Their clothing, therefore, had commonly been much more expensive.

---

[1] [C. 5. The quotations from this Act and from 4 Hen. VII., c. 8, are not quite *verbatim.*]

Hose have fallen very considerably since 1463,

The same order of people are, by the same law, prohibited from wearing hose, of which the price should exceed fourteen-pence the pair, equal to about eight-and-twenty pence of our present money. But fourteen-pence was in those times the price of a bushel and near two pecks of wheat; which, in the present times, at three and sixpence the bushel, would cost five shillings and three-pence. We should in the present times consider this as a very high price for a pair of stockings to a servant of the poorest and lowest order. He must, however, in those times have paid what was really equivalent to this price for them.

when they were made of common cloth.

In the time of Edward IV. the art of knitting stockings was probably not known in any part of Europe. Their hose were made of common cloth, which may have been one of the causes of their dearness. The first person that wore stockings in England is said to have been Queen Elizabeth. She received them as a present from the Spanish ambassador.[1]

The machinery for making cloth has been much improved,

Both in the coarse and in the fine woollen manufacture, the machinery employed was much more imperfect in those ancient, than it is in the present times. It has since received three very capital improvements, besides, probably, many smaller ones of which it may be difficult to ascertain either the number or the importance. The three capital improvements are: first, The exchange of the rock and spindle for the spinning-wheel, which, with the same quantity of labour, will perform more than double the quantity of work. Secondly, the use of several very ingenious machines which facilitate and abridge in a still greater proportion the winding of the worsted and woollen yarn, or the proper arrangement of the warp and woof before they are put into the loom; an operation which, previous to the inventions of those machines, must have been extremely tedious and troublesome. Thirdly, The employment of the fulling mill for thickening the cloth, instead of treading it in water. Neither wind nor water mills of any kind were known in England so early as the beginning of the sixteenth century, nor, so far as I know, in any other part of Europe north of the Alps. They had been introduced into Italy some time before.

---

[1] [' Dr. Howell in his *History of the World*, vol. ii., p. 222, relates "that Queen Elizabeth, in this third year of her reign, was presented with a pair of black knit silk stockings by her silk woman, Mrs. Mountague, and thenceforth she never wore cloth ones any more." This eminent author adds "that King Henry VIII., that magnificent and expensive Prince, wore ordinarily cloth hose, except there came from Spain, by great chance, a pair of silk stockings; for Spain very early abounded in silk. His son, King Edward VI., was presented with a pair of long Spanish silk stockings by his merchant, Sir Thomas Gresham, and the present was then much taken notice of." Thus it is plain that the invention of knit silk stockings originally came from Spain. Others relate that one William Rider, an apprentice on London Bridge, seeing at the house of an Italian merchant a pair of knit worsted stockings from Mantua, made with great skill a pair exactly like them, which he presented in the year 1564 to William Earl of Pembroke, and were the first of that kind worn in England.'—Adam Anderson, *Historical and Chronological Deduction of the Origin of Commerce*, 1764, A.D. 1561.]

which explains the fall of price.

The consideration of these circumstances may, perhaps, in some measure explain to us why the real price both of the coarse and of the fine manufacture, was so much higher in those ancient, than it is in the present times. It cost a greater quantity of labour to bring the goods to market. When they were brought thither, therefore, they must have purchased or exchanged for the price of a greater quantity.

The coarse manufacture was a household one,

The coarse manufacture probably was, in those ancient times, carried on in England, in the same manner as it always has been in countries where arts and manufactures are in their infancy. It was probably a houshold manufacture, in which every different part of the work was occasionally performed by all the different members of almost every private family; but so as to be their work only when they had nothing else to do, and not to be the principal business from which any of them derived the greater part of their subsistence. The work which is performed in this manner, it has already been observed,[1] comes always much cheaper to market than that which is the principal or sole fund of the workman's subsistence.

but the fine was carried on in Flanders by people who subsisted on it, and was subject to customs duty,

The fine manufacture, on the other hand, was not in those times carried on in England, but in the rich and commercial country of Flanders; and it was probably conducted then, in the same manner as now, by people who derived the whole, or the principal part of their subsistence from it. It was besides a foreign manufacture, and must have paid some duty, the ancient custom of tonnage and poundage at least, to the king. This duty, indeed, would not probably be very great. It was not then the policy of Europe to restrain, by high duties, the importation of foreign manufactures, but rather to encourage it, in order that merchants might be enabled to supply, at as easy a rate as possible, the great men with the conveniencies and luxuries which they wanted, and which the industry of their own country could not afford them.

which explains why the coarse was in those times lower in proportion to the fine.

The consideration of these circumstances may perhaps in some measure explain to us why, in those ancient times, the real price of the coarse manufacture was, in proportion to that of the fine, so much lower than in the present times.

---

[1] [Above, pp. 118, 119.]

CONCLUSION *of the* CHAPTER

Every improvement in the circumstances of society raises rent.

I SHALL conclude this very long chapter with observing[1] that every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of other people.

Extension of improvement and cultivation raises it directly,

The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases with the increase of the produce.

and so does the rise in the price of cattle, &c.

That rise in the real price of those parts of the rude produce of land, which is first the effect of extended improvement and cultivation, and afterwards the cause of their being still further extended, the rise in the price of cattle, for example, tends too to raise the rent of land directly, and in a still greater proportion. The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of the produce, but the proportion of his share to the whole produce rises with it. That produce, after the rise in its real price, requires no more labour to collect it than before. A smaller proportion of it will, therefore, be sufficient to replace, with the ordinary profit, the stock which employs that labour. A greater proportion of it must, consequently, belong to the landlord.[2]

Improvements which reduce the price of manufactures raise it indirectly,

All those improvements in the productive powers of labour, which tend directly to reduce the real price of manufactures, tend indirectly to raise the real rent of land. The landlord exchanges that part of his rude produce, which is over and above his own consumption, or what comes to the same thing, the price of that part of it, for manufactured produce. Whatever reduces the real price of the latter, raises that of the former. An equal quantity of the former becomes thereby equivalent to a greater quantity of the latter; and the landlord is enabled to purchase a greater quantity of the conveniencies, ornaments, or luxuries, which he has occasion for.

and so does every increase in the quantity of useful labour employed.

Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it, tends indirectly to raise the real rent of land. A certain proportion of this labour naturally goes to the land. A greater number of men and cattle are employed in its cultivation, the produce increases with the increase of the stock which is thus employed in raising it, and the rent increases with the produce.

---

[1] [Towards the end of chapter x. the same words occur, omitting 'very'.]

[2] [The opposite of this is stated on p. 317 below.]

The contrary circumstances lower rent.

The contrary circumstances, the neglect of cultivation and improvement, the fall in the real price of any part of the rude produce of land, the rise in the real price of manufactures from the decay of manufacturing art and industry, the declension of the real wealth of the society, all tend, on the other hand, to lower the real rent of land, to reduce the real wealth of the landlord, to diminish his power of purchasing either the labour, or the produce of the labour of other people.

There are three parts of produce and three original orders of society.

The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed,[1] into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent, to those who live by wages, and to those who live by profit. These are the three great, original and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived.

The interest of the proprietors of land is inseparably connected with the general interest of the society.

The interest of the first of those three great orders, it appears from what has been just now said, is strictly and inseparably connected with the general interest of the society. Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other. When the public deliberates concerning any regulation of commerce or police, the proprietors of land never can mislead it, with a view to promote the interest of their own particular order; at least, if they have any tolerable knowledge of that interest. They are, indeed, too often defective in this tolerable knowledge. They are the only one of the three orders whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own. That indolence, which is the natural effect of the ease and security of their situation, renders them too often, not only ignorant, but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.

So also is that of those who live by wages,

The interest of the second order, that of those who live by wages, is as strictly connected with the interest of the society as that of the first. The wages of the labourer, it has already been shewn,[2] are never so high as when the demand for labour is continually rising, or when the quantity employed is every year increasing considerably. When this real wealth of the society becomes stationary, his wages are soon reduced to what is barely enough to enable him to bring up a family, or to continue the race of labourers. When the society declines, they fall even below this. The order of proprietors may, perhaps, gain more by the prosperity of the society, than that of labourers: but there is no order that suffers so cruelly from its decline. But though the interest of the labourer is strictly connected with that of the society, he is incapable either of comprehending that interest, or of understanding its connexion with his own. His condition leaves him no time to receive the necessary information, and his education and habits are commonly such as to render him unfit to judge even though he was fully informed. In the public deliberations, therefore, his voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but their own particular purposes.

---

[1] [Above, p. 54.]

[2] [Above, pp. 71-73.]

but the interest of those who live by profit has not the same connexion with the general interest of the society.

His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit, which puts into motion the greater part of the useful labour of every society. The plans and projects of the employers of stock regulate and direct all the most important operations of labour, and profit is the end proposed by all those plans and projects. But the rate of profit does not, like rent and wages, rise with the prosperity, and fall with the declension, of the society. On the contrary, it is naturally low in rich, and high in poor countries, and it is always highest in the countries which are going fastest to ruin. The interest of this third order, therefore, has not the same connexion with the general interest of the society as that of the other two. Merchants and master manufacturers are, in this order, the two classes of people who commonly employ the largest capitals, and who by their wealth draw to themselves the greatest share of the public consideration. As during their whole lives they are engaged in plans and projects, they have frequently more acuteness of understanding than the greater part of country gentlemen. As their thoughts, however, are commonly exercised rather about the interest of their own particular branch of business, than about that of the society, their judgment, even when given with the greatest candour (which it has not been upon every occasion), is much more to be depended upon with regard to the former of those two objects, than with regard to the latter. Their superiority over the country gentleman is, not so much in their knowledge of the public interest, as in their having a better knowledge of their own interest than he has of his. It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and persuaded him to give up both his own interest and that of the public, from a very simple but honest conviction, that their interest, and not his, was the interest of the public.

The interest of the dealers, however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

Years XII.	Price of the Quarter of Wheat each Year.[1]			Average of the different Prices of the same Year.			The average Price of each Year in Money of the present Times.[2]		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1202	—	12	—	—	—	—	1	16	—
1205	— — —	12 13 15	— 4 —	—	13	5	2	—	3
1223	—	12	—	—	—	—	1	16	—
1237	—	3	4	—	—	—	—	10	—
1243	—	2	—	—	—	—	—	6	—
1244	—	2	—	—	—	—	—	6	—
1246	—	16	—	—	—	—	2	8	—
1247	—	13	4	—	—	—	2	—	—
1257	1	4	—	—	—	—	3	12	—
1258	1 — —	— 15 16	— — —	—	17	—	2	11	—
1270	4 6	16 8	— —	5	12	—	16	16	—
1286	— —	2 16	8 —	—	9	4	1	8	—
						Total,	35	9	3
						Average Price,	2	19	1¼

---

[1] [As is explained above, p. 185, the prices from 1202 to 1597 are collected from Fleetwood (*Chronicon Preciosum*, 1707, pp. 77-124), and from 1598 to 1601 they are from the Eton College account without any reduction for the size of the Windsor quarter or the quality of the wheat, and consequently identical with those given in the table on p. 255 below, as to which see note.]

[2] [In the reduction of the ancient money to the eighteenth century standard the table in Martin Folkes (*Table of English Silver Coins*, 1745, p. 142) appears to have been fol-

Years XII.	Price of the Quarter of Wheat each Year.			Average of the different Prices of the same Year.			The Average Price of each Year in Money of the present Times.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1287	—	3	4	—	—	—	—	10	—
1288	—	—	8	—	3	—¼[1]	—	9	—¾
	—	1	—						
	—	1	4						
	—	1	6						
	—	1	8						
	—	2	—						
	—	3	4						
	—	9	4						
1289	—	12	—	—	10	$1\frac{2}{4}$	1	10	$4\frac{2}{4}$[2]
	—	6	—						
	—	2	—						
	—	10	8						
	1	—	—						
1290	—	16	—[3]	—	—	—	2	8	—
1294	—	16	—	—	—	—	2	8	—
1302	—	4	—	—	—	—	—	12	—
1309	—	7	2	—	—	—	1	1	6
1315	1	—	—	—	—	—	3	—	—
1316	1	—	—	1	10	6	4	11	6
	1	10	—						
	1	12	—						
	2	—	—						
1317	2	4	—	1	19	6	5	18	6
	—	14	—						
	2	13	—[4]						
	4	—	—						
	—	6	8						
1336	—	2	—	—	—	—	—	6	—
1338	—	3	4	—	—	—	—	10	—
						Total,	23	4	11¼
						Average Price,	1	18	8

lowed. Approximate figures are aimed at (*e.g.*, the factor 3 does duty both for 2·906 and 2·871), and the error is not always uniform, *e.g.*, between 1464 and 1497 some of the sums appear to have been multiplied by the approximate 1½ and others by the exact 1·55.]

[1] [This should be 2s. 7½d. The mistake is evidently due to the 3s. 4d. belonging to the year 1287 having been erroneously added in.]

[2] [*Sic* in all editions. More convenient to the unpractised eye in adding up than '½'.]

[3] ['And sometime xxs. as H. Knighton.'—Fleetwood, *Chronicon Preciosum*, p. 82.]

[4] [Miscopied: it is £2 13s. 4d. in Fleetwood, *op. cit.*, p. 92.]

Years XII.	Price of the Quarter of Wheat each Year.			Average of the different Prices of the same Year.			The average Price of each Year in Money of the present Times.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1339	—	9	—	—	—	—	1	7	—
1349	—	2	—	—	—	—	—	5	2
1359	1	6	8	—	—	—	3	2	2
1361	—	2	—	—	—	—	—	4	8
1363	—	15	—	—	—	—	1	15	—
1369	1 1	— 4	— —	1	2	—	2	9	4[1]
1379	—	4	—	—	—	—	—	9	4
1387	—	2	—	—	—	—	—	4	8
1390	— — —	13 14 16	4 — —	—	14	5	1	13	7
1401	—	16	—	—	—	—	1	17	4
1407	— —	4 3	4¼ 4	—	3	10	—	8	11
1416	—	16	—	—	—	—	1	12	—
						Total,	15	9	4
						Average Price,	1	5	9⅓
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1423	—	8	—	—	—	—	—	16	—
1425	—	4	—	—	—	—	—	8	—
1434	1	6	8	—	—	—	2	13	4
1435	—	5	4	—	—	—	—	10	8
1439	1 1	— 6	— 8	1	3	4	2	6	8
1440	1	4	—	—	—	—	2	8	—
1444	— —	4 4	4 —	—	4	2	—	8	4
1445	—	4	6	—	—	—	—	9	—
1447	—	8	—	—	—	—	—	16	—
1448	—	6	8	—	—	—	—	13	4
1449	—	5	—	—	—	—	—	10	—
1451	—	8	—	—	—	—	—	16	—
						Total,	12	15	4
						Average Price,	1	1	3½

[Obviously a mistake for £2 11s. 4d.]

Years XII.	Price of the Quarter of Wheat each Year.			Average of the different Prices of the same Year.			The average Price of each Year in Money of the present Times.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1453	—	5	4	—	—	—	—	10	8
1455	—	1	2	—	—	—	—	2	4
1457	—	7	8	—	—	—	—	15	4
1459	—	5	—	—	—	—	—	10	—
1460	—	8	—	—	—	—	—	16	—
1463	— —	2 1	— 8	—	1	10	—	3	8
1464	—	6	8	—	—	—	—	10	—
1486	1	4	—	—	—	—	1	17	—
1491	—	14	8	—	—	—	1	2	—
1494	—	4	—	—	—	—	—	6	—
1495	—	3	4	—	—	—	—	5	—
1497	1	—	—	—	—	—	1	11	—
						Total,	8	9	—
						Average Price,	—	14	1

Years XII.	£.	s.	d.	£.	s.	d.	£.	s.	d.
1499	—	4	—	—	—	—	—	6	—
1504	—	5	8	—	—	—	—	8	6
1521	1	—	—	—	—	—	1	10	—
1551	—	8	—	—	—	—	—	2	—
1553	—	8	—	—	—	—	—	8	—
1554	—	8	—	—	—	—	—	8	—
1555	—	8	—	—	—	—	—	8	—
1556	—	8	—	—	—	—	—	8	—
1557	— — — 2	4 5 8 13	— — — 4	—	17	8½[1]	—	17	8½
1558	—	8	—	—	—	—	—	8	—
1559	—	8	—	—	—	—	—	8	—
1560	—	8	—	—	—	—	—	8	—
						Total,	6	0	2½
						Average Price,	—	10	$0\frac{5}{12}$[2]

---

[1] [This should be 17s. 7d. here and in the next column. Eds. 1 and 2 read '12s. 7d.,' a mistake of £1 having been made in the addition.]

[2] [This should obviously be 10s. $\frac{5}{24}$d. Eds. 1 and 2 read '£6 5s. 1d.' for the total and '10s. 5d.' for the average, in consequence of the mistake mentioned in the preceding note.]

Years XII.	Price of the Quarter of Wheat each Year.			Average of the different Prices of the same Year.			The average Price of each Year in Money of the present Times.		
	£.	s.	d.	£.	s.	d.	£.	s.	d.
1561	—	8	—	—	—	—	—	8	—
1562	—	8	—	—	—	—	—	8	—
1574	2	16	—	2	—	—	2	—	—
	1	4	—						
1587	3	4	—	—	—	—	3	4	—
1594	2	16	—	—	—	—	2	16	—
1595	2	13	—[1]	—	—	—	2	13	—
1596	4	—	—	—	—	—	4	—	—
1597	5	4	—	4	12	—	4	12	—
	4	—	—						
1598	2	16	8	—	—	—	2	16	8
1599	1	19	2	—	—	—	1	19	2
1600	1	17	8	—	—	—	1	17	8
1601	1	14	10[2]	—	—	—	1	14	10
						Total,	28	9	4
						Average Price,	2	7	$5\frac{1}{3}$[3]

---

[1] [Miscopied: it is £2 13s. 4d. in Fleetwood, *Chronicon Preciosum*, p. 123.]

[2] [See p. 250, note 1.]

[3] [Eds. 1 and 2 read £2 4s. 9½d., the 89s. left over after dividing the pounds having been inadvertently divided by 20 instead of by 12.]

Prices of the Quarter of nine Bushels of the best or highest priced Wheat at Windsor Market, on Lady-Day and Michaelmas, from 1595 *to* 1764, *both inclusive; the Price of each Year being the Medium between the highest Prices of those Two Market-days.*[1]

Years	£.	s.	d.
1595,	2	0	0
1596,	2	8	0
1597,	3	9	6
1598,	2	16	8
1599,	1	19	2
1600,	1	17	8
1601,	1	14	10
1602,	1	9	4
1603,	1	15	4
1604,	1	10	8
1605,	1	15	10
1606,	1	13	0
1607,	1	16	8
1608,	2	16	8
1609,	2	10	0
1610,	1	15	10
1611,	1	18	8
1612,	2	2	4
1613,	2	8	8
1614,	2	1	8½
1615,	1	18	8
1616,	2	0	4
1617,	2	8	8
1618,	2	6	8
1619,	1	15	4
1620,	1	10	4
	26)54	0	6½
	2	1	$6\frac{9}{13}$

Years	£.	s.	d.
1621,	1	10	4
1622,	2	18	8
1623,	2	12	0
1624,	2	8	0
1625,	2	12	0
1626,	2	9	4
1627,	1	16	0
1628,	1	8	0
1629,	2	2	0
1630,	2	15	8
1631,	3	8	0
1632,	2	13	4
1633,	2	18	0
1634,	2	16	0
1635,	2	16	0
1636,	2	16	8
	16)40	0	0
	2	10	0

---

[1] [The list of prices, but not the division into periods, is apparently copied from Charles Smith (*Tracts on the Corn Trade*, 1766, pp. 97-102, cp. pp. 43, 104), who, however, states that it had been previously published, p. 96.]

Years		Wheat per quarter. £.	s.	d.
1637,	—	2	13	0
1638,	—	2	17	4
1639,	—	2	4	10
1640,	—	2	4	8
1641,	—	2	8	0
1642,	Wanting in the account. The year 1646 supplied by Bishop Fleetwood.	0	0	0
1643,		0	0	0
1644,		0	0	0
1645,		0	0	0
1646,	—	2	8	0
1647,	—	3	13	8
1648,	—	4	5	0
1649,	—	4	0	0
1650,	—	3	16	8
1651,	—	3	13	4
1652,	—	2	9	6
1653,	—	1	15	6
1654,	—	1	6	0
1655,	—	1	13	4
1656,	—	2	3	0
1657,	—	2	6	8
1658,	—	3	5	0
1659,	—	3	6	0
1660,	—	2	16	6
1661,	—	3	10	0
1662,	—	3	14	0
1663,	—	2	17	0
1664,	—	2	0	6
1665,	—	2	9	4
1666,	—	1	16	0
1667,	—	1	16	0
1668,	—	2	0	0
1669,	—	2	4	4
1670,	—	2	1	8
	Carry over,	79	14	10
Brought over,		79	14	10
1671,	—	2	2	0
1672,	—	2	1	0
1673,	—	2	6	8
1674,	—	3	8	8
1675,	—	3	4	8
1676,	—	1	18	0
1677,	—	2	2	0
1678,	—	2	19	0
1679,	—	3	0	0
1680,	—	2	5	0
1681,	—	2	6	8
1682,	—	2	4	0
1683,	—	2	0	0
1684,	—	2	4	0
1685,	—	2	6	8
1686,	—	1	14	0
1687,	—	1	5	2
1688,	—	2	6	0
1689,	—	1	10	0
1690,	—	1	14	8
1691,	—	1	14	0
1692,	—	2	6	8
1693,	—	3	7	8
1694,	—	3	4	0
1695,	—	2	13	0
1696,	—	3	11	0
1697,	—	3	0	0
1698,	—	3	8	4
1699,	—	3	4	0
1700,	—	2	0	0
	60)	153	1	8
		2	11	$0\frac{1}{3}$

Years		Wheat per quarter. £.	s.	d.
1701,	—	1	17	8
1702,	—	1	9	6
1703,	—	1	16	0
1704,	—	2	6	6
1705,	—	1	10	0
1706,	—	1	6	0
1707,	—	1	8	6
1708,	—	2	1	6
1709,	—	3	18	6
1710,	—	3	18	0
1711,	—	2	14	0
1712,	—	2	6	4
1713,	—	2	11	0
1714,	—	2	10	4
1715,	—	2	3	0
1716,	—	2	8	0
1717,	—	2	5	8
1718,	—	1	18	10
1719,	—	1	15	0
1720,	—	1	17	0
1721,	—	1	17	6
1722,	—	1	16	0
1723,	—	1	14	8
1724,	—	1	17	0
1725,	—	2	8	6
1726,	—	2	6	0
1727,	—	2	2	0
1728,	—	2	14	6
1729,	—	2	6	10
1730,	—	1	16	6
1731,	—	1	12	10
1732,	—	1	6	8
1733,	—	1	8	4
Carry over,		69	8	8

Years		Wheat per quarter. £.	s.	d.
Brought over,		69	8	8
1734,	—	1	18	10
1735,	—	2	3	0
1736,	—	2	0	4
1737,	—	1	18	0
1738,	—	1	15	6
1739,	—	1	18	6
1740,	—	2	10	8
1741,	—	2	6	8
1742,	—	1	14	0
1743,	—	1	4	10
1744,	—	1	4	10
1745,	—	1	7	6
1746,	—	1	19	0
1747,	—	1	14	10
1748,	—	1	17	0
1749,	—	1	17	0
1750,	—	1	12	6
1751,	—	1	18	6
1752,	—	2	1	10
1753,	—	2	4	8
1754,	—	1	14	8
1755,	—	1	13	10
1756,	—	2	5	3
1757,	—	3	0	0
1758,	—	2	10	0
1759,	—	1	19	10
1760,	—	1	16	6
1761,	—	1	10	3
1762,	—	1	19	0
1763,	—	2	0	9
1764,	—	2	6	9
		64) 129	13	6
		2	0	$6\frac{19}{32}$ [1]

Years		Wheat per quarter. £.	s.	d.
1731,	—	1	12	10
1732,	—	1	6	8
1733,	—	1	8	4
1734,	—	1	18	10
1735,	—	2	3	0
1736,	—	2	0	4
1737,	—	1	18	0
1738,	—	1	15	6
1739,	—	1	18	6
1740,	—	2	10	8
		10) 18	12	8
		1	17	$3\frac{1}{5}$

Years		Wheat per quarter. £.	s.	d.
1741,	—	2	6	8
1742,	—	1	14	0
1743,	—	1	4	10
1744,	—	1	4	10
1745,	—	1	7	6
1746,	—	1	19	0
1747,	—	1	14	10
1748,	—	1	17	0
1749,	—	1	17	0
1750,	—	1	12	6
		10) 16	18	2
		1	13	$9\frac{4}{5}$

---

[1] [This should be $\frac{9}{32}$.]

BOOK II

Of the Nature, Accumulation, and Employment of Stock

INTRODUCTION

In the rude state of society stock is unnecessary.

IN that rude state of society in which there is no division of labour, in which exchanges are seldom made, and in which every man provides every thing for himself, it is not necessary that any stock should be accumulated or stored up beforehand, in order to carry on the business of the society. Every man endeavours to supply by his own industry his own occasional wants as they occur. When he is hungry, he goes to the forest to hunt; when his coat is worn out, he clothes himself with the skin of the first large animal he kills: and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are nearest it.

Division of labour makes it necessary.

But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants. The far greater part of them are supplied by the produce of other mens labour, which he purchases with the produce, or, what is the same thing, with the price of the produce of his own. But this purchase cannot be made till such time as the produce of his own labour has not only been completed, but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work, till such time, at least, as both these events can be brought about. A weaver cannot apply himself entirely to his peculiar business, unless there is beforehand stored up somewhere, either in his own possession or in that of some other person, a stock sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed but sold his web.

This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business.[1]

Accumulation of stock and division of labour advance together.

As the accumulation of stock must, in the nature of things, be previous to the division of labour, so labour can be more and more subdivided[2] in proportion only as stock is previously more and more accumulated. The quantity of materials which the same number of people can work up, increases in a great proportion as labour comes to be more and more subdivided; and as the operations of each workman are gradually reduced to a greater degree of simplicity, a variety of new machines come to be invented for facilitating and abridging those operations. As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions, and a greater stock of materials and tools than what would have been necessary in a ruder state of things, must be accumulated beforehand. But the number of workmen in every branch of business generally increases with the division of labour in that branch, or rather it is the increase of their number which enables them to class and subdivide themselves in this manner.

Accumulation causes the same quantity of industry to produce more.

As the accumulation of stock is previously necessary for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. The person who employs his stock in maintaining labour, necessarily wishes to employ it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ. The quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it, but, in consequence of that increase, the same quantity of industry produces a much greater quantity of work.

Such are in general the effects of the increase of stock upon industry and its productive powers.

This Book treats of the nature of stock, the effects of its accumulation, and its different employments.

In the following book I have endeavoured to explain the nature of stock, the effects of its accumulation into capitals of different kinds, and the effects of the different employments of those capitals. This book is divided into five chapters. In the first chapter, I have endeavoured to show what are the different parts or branches into which the stock, either of an individual, or of a great society, naturally divides itself. In the second, I have endeavoured to explain the nature and operation of money considered as a particular branch of the general stock of the society. The stock which is accumulated into a capital, may either be employed by the person to whom it belongs, or it may be lent to some other person. In the third and fourth chapters, I have endeavoured to examine the manner in which it operates in both these situations. The fifth and last chapter treats of the different effects which the different employments of capital immediately produce upon the quantity both of national industry, and of the annual produce of land and labour.

---

[1] [*Lectures*, p. 181.]

[2] [Eds. 1 and 2 place the 'only' here.]

CHAPTER I

OF THE DIVISION OF STOCK

WHEN the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labour to acquire something which may supply its place before it be consumed altogether. His revenue is, in this case, derived from his labour only. This is the state of the greater part of the labouring poor in all countries.

A man does not think of obtaining revenue from a small stock,

But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours to derive a revenue from the greater part of it; reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. That part which, he expects, is to afford him this revenue, is called his capital. The other is that which supplies his immediate consumption; and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his revenue, from whatever source derived, as it gradually comes in; or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed; such as a stock of clothes, household furniture, and the like. In one, or other, or all of these three articles, consists the stock which men commonly reserve for their own immediate consumption.

but when he has more than enough for immediate consumption, he endeavours to derive a revenue from the rest,

There are two different ways in which a capital may be employed so as to yield a revenue or profit to its employer.

using it either as

First, it may be employed in raising, manufacturing, or purchasing goods, and selling them again with a profit. The capital employed in this manner yields no revenue or profit to its employer, while it either remains in his possession, or continues in the same shape. The goods of the merchant yield him no revenue or profit till he sells them for

(1) circulating capital,

money, and the money yields him as little till it is again exchanged for goods. His capital is continually going from him in one shape, and returning to him in another, and it is only by means of such circulation, or successive exchanges, that it can yield him any profit. Such capitals, therefore, may very properly be called circulating capitals.

or (2) fixed capital.

Secondly, it may be employed in the improvement of land, in the purchase of useful machines and instruments of trade, or in such-like things as yield a revenue or profit without changing masters, or circulating any further. Such capitals, therefore, may very properly be called fixed capitals.

Different proportions of fixed and circulating capital are required in different trades.

Different occupations require very different proportions between the fixed and circulating capitals employed in them.

The capital of a merchant, for example, is altogether a circulating capital. He has occasion for no machines or instruments of trade, unless his shop, or warehouse, be considered as such.

Some part of the capital of every master artificer or manufacturer must be fixed in the instruments of his trade. This part, however, is very small in some, and very great in others. A master taylor requires no other instruments of trade but a parcel of needles. Those of the master shoemaker are a little, though but a very little, more expensive. Those of the weaver rise a good deal above those of the shoemaker. The far greater part of the capital of all such master artificers, however, is circulated, either in the wages of their workmen, or in the price of their materials, and repaid with a profit by the price of the work.

In other works a much greater fixed capital is required. In a great iron-work, for example, the furnace for melting the ore, the forge, the slitt-mill, are instruments of trade which cannot be erected without a very great expence. In coal-works, and mines of every kind, the machinery necessary both for drawing out the water and for other purposes, is frequently still more expensive.

That part of the capital of the farmer which is employed in the instruments of agriculture is a fixed; that which is employed in the wages and maintenance of his labouring servants, is a circulating capital. He makes a profit of the one by keeping it in his own possession, and of the other by parting with it. The price or value of his labouring cattle is a fixed capital in the same manner as that of the instruments of husbandry: Their maintenance is a circulating capital in the same manner as that of the labouring servants. The farmer makes his profit by keeping the labouring cattle, and by parting with their maintenance. Both the price and the maintenance of the cattle which are bought in and fattened, not for labour, but for sale, are a circulating capital. The farmer makes his profit by parting with them. A flock of sheep or a herd of cattle that, in a breeding country, is bought in, neither for labour, nor for sale, but in order to make a profit by their wool, by their milk, and by their increase, is a fixed capital. The profit is made by keeping them. Their maintenance is a circulating capital. The profit is made by parting with it; and it comes back with both its own profit, and the profit upon the whole price of the cattle, in the price of the wool, the milk, and the increase. The whole value of the seed too is properly a fixed capital. Though it goes backwards and forwards between the ground and the granary, it never changes masters, and therefore does not properly circulate. The farmer makes his profit, not by its sale, but by its increase.

The stock of a society is divided in the same way into

The general stock of any country or society is the same with that of all its inhabitants or members, and therefore naturally divides itself into the same three portions, each of which has a distinct function or office.

(1) the portion reserved for immediate consumption,

The First, is that portion which is reserved for immediate consumption, and of which the characteristic is, that it affords no revenue or profit. It consists in the stock of food, clothes, household furniture, &c., which have been purchased by their proper consumers, but which are not yet entirely consumed. The whole stock of mere dwelling-houses too subsisting at any one time in the country, make a part of this first portion. The stock that is laid out in a house, if it is to be the dwelling-house of the proprietor, ceases from that moment to serve in the function of a capital, or to afford any revenue to its owner. A dwelling-house, as such, contributes nothing to the revenue of its inhabitant; and though it is, no doubt, extremely useful to him, it is as his clothes and household furniture are useful to him, which, however, make a part of his expence, and not of his revenue. If it is to be let to a tenant for rent, as the house itself can produce nothing,[1] the tenant must always pay the rent out of some other revenue which he derives either from labour, or stock, or land. Though a house, therefore, may yield a revenue to its proprietor, and thereby serve in the function of a capital to him, it cannot yield any to the public, nor serve in the function of a capital to it, and the revenue of the whole body of the people can never be in the smallest degree increased by it. Clothes, and household furniture, in the same manner, sometimes yield a revenue, and thereby serve in the function of a capital to particular persons. In countries where masquerades are common, it is a trade to let out masquerade dresses for a night. Upholsterers frequently let furniture by the month or by the year. Undertakers let the furniture of funerals by the day and by the week. Many people let furnished houses, and get a rent, not only for the use of the house, but for that of the furniture. The revenue, however, which is derived from such things, must always be ultimately drawn from some other source of revenue. Of all parts of the stock, either of an individual, or of a society, reserved for immediate consumption, what is laid out in houses is most slowly consumed. A stock of clothes may last several years: a stock of furniture half a century or a century: but a stock of houses, well built and properly taken care of, may last many centuries. Though the period of their total consumption, however, is more distant, they are still as really a stock reserved for immediate consumption as either clothes or household furniture.

---

[1] [‘Ce n'est pas cette maison qui produit elle-même ces mille francs. . . . Le loyer d'une maison n'est point pour la société une augmentation de revenu, une création de richesses nouvelles, il n'est au contraire qu'un mouvement, qu'un changement de main.’—Mercier de la Rivière, *L'Ordre naturel et essentiel des Sociétés politiques*, 12mo ed., 1767, vol. ii., p. 123, or in Daire's *Physiocrates*, p. 487.]

(2) the fixed capital, which consists of

The Second of the three portions into which the general stock of the society divides itself, is the fixed capital; of which the characteristic is, that it affords a revenue or profit without circulating or changing masters. It consists chiefly of the four following articles:

(*a*) useful machines,

First, of all useful machines and instruments of trade which facilitate and abridge labour:

(*b*) profitable buildings,

Secondly, of all those profitable buildings which are the means of procuring a revenue, not only to their proprietor who lets them for a rent, but to the person who possesses them and pays that rent for them; such as shops, warehouses, workhouses, farmhouses, with all their necessary buildings; stables, granaries, &c. These are very different from mere dwelling houses. They are a sort of instruments of trade, and may be considered in the same light:

(*c*) improvements of land,

Thirdly, of the improvements of land, of what has been profitably laid out in clearing, draining, enclosing, manuring, and reducing it into the condition most proper for tillage and culture. An improved farm may very justly be regarded in the same light as those useful machines which facilitate and abridge labour, and by means of which, an equal circulating capital can afford a much greater revenue to its employer. An improved farm is equally advantageous and more durable than any of those machines, frequently requiring no other repairs than the most profitable application of the farmer's capital employed in cultivating it:

and (*d*) acquired and useful abilities,

Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expence, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise of that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labour, and which, though it costs a certain expence, repays that expence with a profit.[1]

and (3) the circulating capital, which consists of

The Third and last of the three portions into which the general stock of the society naturally divides itself, is the circulating capital; of which the characteristic is, that it affords a revenue only by circulating or changing masters. It is composed likewise of four parts:

(*a*) the money,

First, of the money by means of which all the other three are circulated and distributed to their proper consumers:[2]

(*b*) the stock of provisions in the possession of the sellers,

Secondly, of the stock of provisions which are in the possession of the butcher, the grazier, the farmer, the corn-merchant, the brewer, &c. and from the sale of which they expect to derive a profit:

(*c*) the materials of clothes, furniture, and buildings,

Thirdly, of the materials, whether altogether rude, or more or less manufactured, of clothes, furniture and building, which are not yet made up into any of those three shapes, but which remain in the hands of the growers, the manufacturers, the mercers, and drapers, the timber-merchants, the carpenters and joiners, the brick-makers, &c.

and (*d*) completed work in the hands of the merchant or manufacturer.

Fourthly, and lastly, of the work which is made up and completed, but which is still in the hands of the merchant or manufacturer, and not yet disposed of or distributed to the proper consumers; such as the finished work which we frequently find ready-made in the shops of the smith, the cabinet-maker, the goldsmith, the jeweller, the china-merchant, &c. The circulating capital consists in this manner, of the provisions, materials, and finished work of all kinds that are in the hands of their respective dealers, and of the money that is necessary for circulating and distributing them to those who are finally to use, or to consume them.

The last three parts of the circulating capital are regularly withdrawn from it.

Of these four parts three, provisions, materials, and finished work, are, either annually, or in a longer or shorter period, regularly withdrawn from it, and placed either in the fixed capital or in the stock reserved for immediate consumption.

Every fixed capital is derived from and supported by a circulating capital,

Every fixed capital is both originally derived from, and requires to be continually supported by a circulating capital. All useful machines and instruments of trade are originally derived from a circulating capital, which furnishes the materials of which they are made, and the maintenance of the workmen who make them. They require too a capital of the same kind to keep them in constant repair.

---

[1] [But in bk. i., ch. x., the remuneration of improved dexterity is treated as wages.]

[2] [Ed. 1 reads 'users and consumers' here and eleven lines lower.]

and cannot yield any revenue without it.

No fixed capital can yield any revenue but by means of a circulating capital. The most useful machines and instruments of trade will produce nothing without the circulating capital which affords the materials they are employed upon, and the maintenance of the workmen who employ them. Land, however improved, will yield no revenue without a circulating capital, which maintains the labourers who cultivate and collect its produce.

The end of both fixed and circulating capital is to maintain and augment the other part of the stock.

To maintain and augment the stock which may be reserved for immediate consumption, is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes, and lodges the people. Their riches or poverty depends upon the abundant or sparing supplies which those two capitals can afford to the stock reserved for immediate consumption.

The circulating capital is kept up by the produce of land, mines, and fisheries,

So great a part of the circulating capital being continually withdrawn from it, in order to be placed in the other two branches of the general stock of the society; it must in its turn require continual supplies, without which it would soon cease to exist. These supplies are principally drawn from three sources, the produce of land, of mines, and of fisheries. These afford continual supplies of provisions and materials, of which part is afterwards wrought up into finished work, and by which are replaced the provisions, materials, and finished work continually withdrawn from the circulating capital. From mines too is drawn what is necessary for maintaining and augmenting that part of it which consists in money. For though, in the ordinary course of business, this part is not, like the other three, necessarily withdrawn from it, in order to be placed in the other two branches of the general stock of the society, it must, however, like all other things, be wasted and worn out at last, and sometimes too be either lost or sent abroad, and must, therefore, require continual, though, no doubt, much smaller supplies.

which require both fixed and circulating capitals to cultivate them,

Land, mines, and fisheries, require all both a fixed and a circulating capital to cultivate them: and their produce replaces with a profit, not only those capitals, but all the others in the society. Thus the farmer annually replaces to the manufacturer the provisions which he had consumed and the materials which he had wrought up the year before; and the manufacturer replaces to the farmer the finished work which he had wasted and worn out in the same time. This is the real exchange that is annually made between those two orders of people, though it seldom happens that the rude produce of the one and the manufactured produce of the other, are directly bartered for one another; because it seldom happens that the farmer sells his corn and his cattle, his flax and his wool, to the very same person of whom he chuses to purchase the clothes, furniture, and instruments of trade which he wants. He sells, therefore, his rude produce for money, with which he can purchase, wherever it is to be had, the manufactured produce he has occasion for. Land even replaces, in part at least, the capitals with which fisheries and mines are cultivated. It is the produce of land which draws the fish from the waters; and it is the produce of the surface of the earth which extracts the minerals from its bowels.

and, when their fertility is equal, yield produce proportionate to the capital employed.

The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal and equally well applied, it is in proportion to their natural fertility.

Where there is tolerable security all stock is employed in one or other of the three ways.

In all countries where there is tolerable security, every man of common understanding will endeavour to employ whatever stock he can command, in procuring either present enjoyment or future profit. If it is employed in procuring present enjoyment, it is a stock reserved for immediate consumption. If it is employed in procuring future profit, it must procure this profit either by staying with him, or by going from him. In the one case it is a fixed, in the other it is a circulating capital. A man must be perfectly crazy who, where there is tolerable security, does not employ all the stock which he commands, whether it be his own or borrowed of other people, in some one or other of those three ways.

But in countries where violence prevails much stock is buried and concealed.

In those unfortunate countries, indeed, where men are continually afraid of the violence of their superiors, they frequently bury and conceal a great part of their stock, in order to have it always at hand to carry with them to some place of safety, in case of their being threatened with any of those disasters to which they consider themselves as at all times exposed. This is said to be a common practice in Turkey, in Indostan, and, I believe, in most other governments of Asia. It seems to have been a common practice among our ancestors during the violence of the feudal government. Treasure-trove was in those times considered as no contemptible part of the revenue of the greatest sovereigns in Europe. It consisted in such treasure as was found concealed in the earth, and to which no particular person could prove any right. This was regarded in those times as so important an object, that it was always considered as belonging to the sovereign, and neither to the finder nor to the proprietor of the land, unless the right to it had been conveyed to the latter by an express clause in his charter. It was put upon the same footing with gold and silver mines, which, without a special clause in the charter, were never supposed to be comprehended in the general grant of the lands, though mines of lead, copper, tin, and coal were, as things of smaller consequence.

CHAPTER II

OF MONEY CONSIDERED AS A PARTICULAR BRANCH OF THE GENERAL STOCK OF THE SOCIETY, OR OF THE EXPENCE OF MAINTAINING THE NATIONAL CAPITAL

Prices are divided into three parts, wages, profits, and rent,

IT has been shewn in the first Book, that the price of the greater part of commodities resolves itself into three parts, of which one pays the wages of the labour, another the profits of the stock, and a third the rent of the land which had been employed in producing and bringing them to market: that there are, indeed, some commodities of which the price is made up of two of those parts only, the wages of labour, and the profits of stock: and a very few in which it consists altogether in one, the wages of labour: but that the price of every commodity necessarily resolves itself into some one, or other, or all of these three parts; every part of it which goes neither to rent nor to wages, being necessarily profit to somebody.

and the whole annual produce is divided into the same three parts;

Since this is the case, it has been observed, with regard to every particular commodity, taken separately; it must be so with regard to all the commodities which compose the whole annual produce of the land and labour of every country, taken complexly. The whole price or exchangeable value of that annual produce, must resolve itself into the same three parts, and be parcelled out among the different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land.

but we may distinguish between gross and net revenue

But though the whole value of the annual produce of the land and labour of every country is thus divided among and constitutes a revenue to its different inhabitants; yet as in the rent of a private estate we distinguish between the gross rent and the neat rent, so may we likewise in the revenue of all the inhabitants of a great country.

Gross rent is the whole sum paid by the farmer; net rent what is left

The gross rent of a private estate comprehends whatever is paid by the farmer; the neat rent, what remains free to the landlord, after deducting the expence of management, of repairs, and all other necessary charges; or what, without hurting his estate, he can afford to place in free to the landlord.

his stock reserved for immediate consumption, or to spend upon his table, equipage, the ornaments of his house and furniture, his private enjoyments and amusements. His real wealth is in proportion, not to his gross, but to his neat rent.

Gross revenue is the whole annual produce: net revenue what is left free after deducting the maintenance of fixed and circulating capital.

The gross revenue of all the inhabitants of a great country, comprehends the whole annual produce of their land and labour; the neat revenue, what remains free to them after deducting the expence of maintaining; first, their fixed; and, secondly, their circulating capital; or what, without encroaching upon their capital, they can place in their stock reserved for immediate consumption, or spend upon their subsistence, conveniencies, and amusements. Their real wealth too is in proportion, not to their gross, but to their neat revenue.

The whole expence of maintaining the fixed capital must be excluded,

The whole expence of maintaining the fixed capital, must evidently be excluded from the neat revenue of the society. Neither the materials necessary for supporting their useful machines and instruments of trade, their profitable buildings, &c. nor the produce of the labour necessary for fashioning those materials into the proper form, can ever make any part of it. The price of that labour may indeed make a part of it; as the workmen so employed may place the whole value of their wages in their stock reserved for immediate consumption. But in other sorts of labour, both the price and the produce go to this stock, the price to that of the workmen, the produce to that of other people, whose subsistence, conveniencies, and amusements, are augmented by the labour of those workmen.

since the only object of the fixed capital is to increase the productive powers of labour.

The intention of the fixed capital is to increase the productive powers of labour, or to enable the same number of labourers to perform a much greater quantity of work. In a farm where all the necessary buildings, fences, drains, communications, &c. are in the most perfect good order, the same number of labourers and labouring cattle will raise a much greater produce, than in one of equal extent and equally good ground, but not furnished with equal conveniencies. In manufactures the same number of hands, assisted with the best machinery, will work up a much greater quantity of goods than with more imperfect instruments of trade. The expence which is properly laid out upon a fixed capital of any kind, is always repaid with great profit, and increases the annual produce by a much greater value than that of the support which such improvements require. This support, however, still requires a certain portion of that produce. A certain quantity of materials, and the labour of a certain number of workmen, both of which might have been immediately employed to augment the food, clothing and lodging, the subsistence and conveniencies of the society, are thus diverted to another employment, highly advantageous indeed, but still different from this one. It is upon this account that all such improvements in mechanics, as enable the same number of workmen to perform an equal quantity of work with cheaper and simpler machinery than had been usual before, are always regarded as advantageous to every society. A certain quantity of materials, and the labour of a certain number of workmen, which had before been employed in supporting a more complex and expensive machinery, can afterwards be applied to augment the quantity of work which that or any other machinery is useful only for performing. The undertaker of some great manufactory who employs a thousand a-year in the maintenance of his machinery, if he can reduce this expence to five hundred, will naturally[1] employ the other five hundred in purchasing an additional quantity of materials to be wrought up by an additional number of workmen. The quantity of that work, therefore, which his machinery was useful only for performing, will naturally be augmented, and with it all the advantage and conveniency which the society can derive from that work.

and any cheapening or simplification is regarded as good.

The expence of maintaining the fixed capital in a great country, may very properly be compared to that of repairs in a private estate. The expence of repairs may frequently be necessary for supporting the produce of the estate, and consequently both the gross and the neat rent of the landlord. When by a more proper direction, however, it can be diminished without occasioning any diminution of produce, the gross rent remains at least the same as before, and the neat rent is necessarily augmented.

The cost of maintaining the fixed capital is like the cost of repairs on an estate,

But though the whole expence of maintaining the fixed capital is thus necessarily excluded from the neat revenue of the society, it is not the same case with that of maintaining the circulating capital. Of the four parts of which this latter capital is composed, money, provisions, materials, and finished work, the three last, it has already been observed, are regularly withdrawn from it, and placed either in the fixed capital of the society, or in their stock reserved for immediate consumption. Whatever portion of those consumable goods is not employed in maintaining the former, goes all to the latter, and makes a part of the neat revenue of the society. The maintenance of those three parts of the circulating capital, therefore, withdraws no portion of the annual produce from the neat revenue of the society, besides what is necessary for maintaining the fixed capital.

but the expence of maintaining the last three parts of the circulating capital is not to be deducted, the circulating capital of the society being different in this respect from that of an individual.

---

[1] [There seems no reason whatever for supposing that this is necessarily the 'natural action.]

The circulating capital of a society is in this respect different from that of an individual. That of an individual is totally excluded from making any part of his neat revenue, which must consist altogether in his profits. But though the circulating capital of every individual makes a part of that of the society to which he belongs, it is not upon that account totally excluded from making a part likewise of their neat revenue. Though the whole goods in a merchant's shop must by no means be placed in his own stock reserved for immediate consumption, they may in that of other people, who, from a revenue derived from other funds, may regularly replace their value to him, together with its profits, without occasioning any diminution either of his capital or of theirs.[1]

The maintenance of the money alone must be deducted.

Money, therefore, is the only part of the circulating capital of a society, of which the maintenance can occasion any diminution in their neat revenue.

The money resembles the fixed capital, since

The fixed capital, and that part of the circulating capital which consists in money, so far as they affect the revenue of the society, bear a very great resemblance to one another.

(1) the maintenance of the stock of money is part of the gross but not of the net revenue,

First, as those machines and instruments of trade, &c. require a certain expence, first to erect them, and afterwards to support them, both which expences, though they make a part of the gross, are deductions from the neat revenue of the society; so the stock of money which circulates in any country must require a certain expence, first to collect it, and afterwards to support it, both which expences, though they make a part of the gross, are, in the same manner, deductions from the neat revenue of the society. A certain quantity of very valuable materials, gold and silver, and of very curious labour, instead of augmenting the stock reserved for immediate consumption, the subsistence, conveniencies, and amusements of individuals, is employed in supporting that great but expensive instrument of commerce, by means of which every individual in the society has his subsistence, conveniencies, and amusements, regularly distributed to him in their proper proportion.

and (2) the money itself forms no part of the net revenue.

Secondly, as the machines and instruments of trade, &c. which compose the fixed capital either of an individual or of a society, make no part either of the gross or of the neat revenue of either; so money, by means of which the whole revenue of the society is regularly distributed among all its different members, makes itself no part of that revenue. The great wheel of circulation is altogether different from the goods which are circulated by means of it. The revenue of the society consists altogether in those goods, and not in the wheel which circulates them. In computing either the gross or the neat revenue of any society, we must always, from their whole annual circulation of money and goods, deduct the whole value of the money, of which not a single farthing can ever make any part of either.[1]

---

[1] [In this paragraph the capital or stock of goods is confused with the goods themselves. The goods of which the stock consists may become revenue, but the stock itself cannot. The maintenance of a stock, even of perishable and consumable goods, does form a charge on the labour of the society.]

It only appears to do so from the ambiguity of language, sums of money being often used to indicate the goods purchaseable as well as the coins themselves.

It is the ambiguity of language only which can make this proposition appear either doubtful or paradoxical. When properly explained and understood, it is almost self-evident.

When we talk of any particular sum of money, we sometimes mean nothing but the metal pieces of which it is composed; and sometimes we include in our meaning some obscure reference to the goods which can be had in exchange for it, or to the power of purchasing which the possession of it conveys. Thus when we say, that the circulating money of England has been computed at eighteen millions, we mean only to express the amount of the metal pieces, which some writers have computed, or rather have supposed to circulate in that country. But when we say that a man is worth fifty or a hundred pounds a-year, we mean commonly to express not only the amount of the metal pieces which are annually paid to him, but the value of the goods which he can annually purchase or consume. We mean commonly to ascertain what is or ought to be his way of living, or the quantity and quality of the necessaries and conveniencies of life in which he can with propriety indulge himself.

We must not add both together.

When, by any particular sum of money, we mean not only to express the amount of the metal pieces of which it is composed, but to include in its signification some obscure reference to the goods which can be had in exchange for them, the wealth or revenue which it in this case denotes, is equal only to one of the two values which are thus intimated somewhat ambiguously by the same word, and to the latter more properly than to the former, to the money's worth more properly than to the money.

If a man has a guinea a week he enjoys a guinea's worth of subsistence &c.,

Thus if a guinea be the weekly pension of a particular person, he can in the course of the week purchase with it a certain quantity of subsistence, conveniencies, and amusements. In proportion as this quantity is great or small, so are his real riches, his real weekly revenue. His weekly revenue is certainly not equal both to the guinea, and to what can be purchased with it, but only to one or other of those two equal values; and to the latter more properly than to the former, to the guinea's worth rather than to the guinea.

---

[1] [If it were not for the use of the old-fashioned term 'circulation' instead of the newer 'produce,' the explanation which follows would be unnecessary. No one could be suspected of a desire to add all the money to the annual produce.]

and his real revenue is that subsistence, &c.

If the pension of such a person was paid to him, not in gold, but in a weekly bill for a guinea, his revenue surely would not so properly consist in the piece of paper, as in what he could get for it. A guinea may be considered as a bill for a certain quantity of necessaries and conveniencies upon all the tradesmen in the neighbourhood. The revenue of the person to whom it is paid, does not so properly consist in the piece of gold, as in what he can get for it, or in what he can exchange it for. If it could be exchanged for nothing, it would, like a bill upon a bankrupt, be of no more value than the most useless piece of paper.

The same is true of all the inhabitants of a country.

Though the weekly or yearly revenue of all the different inhabitants of any country, in the same manner, may be, and in reality frequently is paid to them in money, their real riches, however, the real weekly or yearly revenue of all of them taken together, must always be great or small in proportion to the quantity of consumable goods which they can all of them purchase with this money. The whole revenue of all of them taken together is evidently not equal to both the money and the consumable goods; but only to one or other of those two values, and to the latter more properly than to the former.

Though we frequently, therefore, express a person's revenue by the metal pieces which are annually paid to him, it is because the amount of those pieces regulates the extent of his power of purchasing, or the value of the goods which he can annually afford to consume. We still consider his revenue as consisting in this power of purchasing or consuming, and not in the pieces which convey it.

The coins annually paid to an individual often equal his revenue, but the stock of coin in a society is never equal to its whole revenue.

But if this is sufficiently evident even with regard to an individual, it is still more so with regard to a society. The amount of the metal pieces which are annually paid to an individual, is often precisely equal to his revenue, and is upon that account the shortest and best expression of its value. But the amount of the metal pieces which circulate in a society, can never be equal to the revenue of all its members. As the same guinea which pays the weekly pension of one man to-day, may pay that of another to-morrow, and that of a third the day thereafter, the amount of the metal pieces which annually circulate in any country, must always be of much less value than the whole money pensions annually paid with them. But the power of purchasing, or[1] the goods which can successively be bought with the whole of those money pensions as they are successively paid, must always be precisely of the same value with those pensions; as must likewise be the revenue of the different persons to whom they are paid. That revenue, therefore, cannot consist in those metal pieces, of which the amount is so much inferior to its value, but in the power of purchasing, in the goods which can successively be bought with them as they circulate from hand to hand.

---

[1] [Ed. 1 does not contain 'or'.]

Money is therefore no part of the revenue of the society

Money, therefore, the great wheel of circulation, the great instrument of commerce, like all other instruments of trade, though it makes a part and a very valuable part of the capital, makes no part of the revenue of the society to which it belongs; and though the metal pieces of which it is composed, in the course of their annual circulation, distribute to every man the revenue which properly belongs to him, they make themselves no part of that revenue.

(3) Every saving in the cost of maintaining the stock of money is an improvement.

Thirdly, and lastly, the machines and instruments of trade, &c. which compose the fixed capital, bear this further resemblance to that part of the circulating capital which consists in money; that as every saving in the expence of erecting and supporting those machines, which does not diminish the productive powers of labour, is an improvement of the neat revenue of the society; so every saving in the expence of collecting and supporting that part of the circulating capital which consists in money, is an improvement of exactly the same kind.

It is sufficiently obvious, and it has partly too been explained already, in what manner every saving in the expence of supporting the fixed capital is an improvement of the neat revenue of the society. The whole capital of the undertaker of every work is necessarily divided between his fixed and his circulating capital. While his whole capital remains the same, the smaller the one part, the greater must necessarily be the other. It is the circulating capital which furnishes the materials and wages of labour, and puts industry into motion. Every saving, therefore, in the expence of maintaining the fixed capital, which does not diminish the productive powers of labour, must increase the fund which puts industry into motion, and consequently the annual produce of land and labour, the real revenue of every society.

The substitution of paper for gold money is an improvement.

The substitution of paper in the room of gold and silver money, replaces a very expensive instrument of commerce with one much less costly, and sometimes equally convenient. Circulation comes to be carried on by a new wheel, which it costs less both to erect and to maintain than the old one. But in what manner this operation is performed, and in what manner it tends to increase either the gross or the neat revenue of the society, is not altogether so obvious, and may therefore require some further explication.

Bank notes are the best sort of paper money.

There are several different sorts of paper money; but the circulating notes of banks and bankers are the species which is best known, and which seems best adapted for this purpose.

When the people of any particular country have such confidence in the fortune, probity, and prudence of a particular banker, as to believe that he is always ready to pay upon demand such of his promissory notes as are likely to be at any time presented to him; those notes come to have the same currency as gold and silver money, from the confidence that such money can at any time be had for them.

When a banker lends out £100,000 in notes and keeps in hand only £20,000 in gold and silver, £80,000 in gold and silver is spared from the circulation:

A particular banker lends among his customers his own promissory notes, to the extent, we shall suppose, of a hundred thousand pounds. As those notes serve all the purposes of money, his debtors pay him the same interest as if he had lent them so much money. This interest is the source of his gain. Though some of those notes are continually coming back upon him for payment, part of them continue to circulate for months and years together. Though he has generally in circulation, therefore, notes to the extent of a hundred thousand pounds, twenty thousand pounds in gold and silver may, frequently, be a sufficient provision for answering occasional demands. By this operation, therefore, twenty thousand pounds in gold and silver perform all the functions which a hundred thousand could otherwise have performed. The same exchanges may be made, the same quantity of consumable goods may be circulated and distributed to their proper consumers, by means of his promissory notes, to the value of a hundred thousand pounds, as by an equal value of gold and silver money. Eighty thousand pounds of gold and silver, therefore, can, in this manner, be spared from the circulation of the country; and if different operations of the same kind should, at the same time, be carried on by many different banks and bankers, the whole circulation may thus be conducted with a fifth part only of the gold and silver which would otherwise have been requisite.

and if many bankers do the same, four-fifths of the gold and silver previously circulating may be sent abroad,

Let us suppose, for example, that the whole circulating money of some particular country amounted, at a particular time, to one million sterling, that sum being then sufficient for circulating the whole annual produce of their land and labour. Let us suppose too, that some time thereafter, different banks and bankers issued promissory notes, payable to the bearer, to the extent of one million, reserving in their different coffers two hundred thousand pounds for answering occasional demands. There would remain, therefore, in circulation, eight hundred thousand pounds in gold and silver, and a million of bank notes, or eighteen hundred thousand pounds of paper and money together. But the annual produce of the land and labour of the country had before required only one million to circulate and distribute it to its proper consumers, and that annual produce cannot be immediately augmented by those operations of banking. One million, therefore, will be sufficient to circulate it after them. The goods to be bought and sold being precisely the same as before, the same quantity of money will be sufficient for buying and selling them. The channel of circulation, if I may be allowed such an expression, will remain precisely the same as before. One million we have supposed sufficient to fill that channel. Whatever, therefore, is poured into it beyond this sum, cannot run in it, but must overflow. One million eight hundred thousand pounds are poured into it. Eight hundred thousand pounds, therefore, must overflow, that sum being over and above what can be employed in the circulation of the country. But though this sum cannot be employed at home, it is too valuable to be allowed to lie idle. It will, therefore, be sent abroad, in order to seek that profitable employment which it cannot find at home. But the paper cannot go abroad; because at a distance from the banks which issue it, and from the country in which payment of it can be exacted by law, it will not be received in common payments. Gold and silver, therefore, to the amount of eight hundred thousand pounds will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of the million of those metals which filled it before.

and exchanged for goods,

But though so great a quantity of gold and silver is thus sent abroad, we must not imagine that it is sent abroad for nothing, or that its proprietors make a present of it to foreign nations. They will exchange it for foreign goods of some kind or another, in order to supply the consumption either of some other foreign country, or of their own.

either to supply the consumption of another country, in which case the profit will be an addition to the net revenue of the country,

If they employ it in purchasing goods in one foreign country in order to supply the consumption of another, or in what is called the carrying trade, whatever profit they make will be an addition to the neat revenue of their own country. It is like a new fund, created for carrying on a new trade; domestic business being now transacted by paper, and the gold and silver being converted into a fund for this new trade.

or to supply home consumption (1) of luxuries, (2) of materials, tools and provisions wherewith

If they employ it in purchasing foreign goods for home consumption, they may either, first, purchase such goods as are likely to be consumed by idle people who produce nothing, such as foreign wines, foreign silks, &c.; or, secondly, they may purchase an additional stock of materials, tools, and provisions, in order to maintain and employ an industrious people are maintained and employed.

additional number of industrious people, who re-produce, with a profit, the value of their annual consumption.

If to supply luxuries, prodigality and consumption are increased;

So far as it is employed in the first way, it promotes prodigality, increases expence and consumption without increasing production, or establishing any permanent fund for supporting that expence, and is in every respect hurtful to the society.

if to supply materials, &c., a permanent fund for supporting consumption is provided.

So far as it is employed in the second way, it promotes industry; and though it increases the consumption of the society, it provides a permanent fund for supporting that consumption, the people who consume re-producing, with a profit, the whole value of their annual consumption. The gross revenue of the society, the annual produce of their land and labour, is increased by the whole value which the labour of those workmen adds to the materials upon which they are employed; and their neat revenue by what remains of this value, after deducting what is necessary for supporting the tools and instruments of their trade.

The greater part of the gold and silver sent abroad purchases materials, &c.

That the greater part of the gold and silver which, being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is and must be employed in purchasing those of this second kind, seems not only probable but almost unavoidable. Though some particular men may sometimes increase their expence very considerably though their revenue does not increase at all, we may be assured that no class or order of men ever does so; because, though the principles of common prudence do not always govern the conduct of every individual, they always influence that of the majority of every class or order. But the revenue of idle people, considered as a class or order, cannot, in the smallest degree, be increased by those operations of banking. Their expence in general, therefore, cannot be much increased by them, though that of a few individuals among them may, and in reality sometimes is. The demand of idle people, therefore, for foreign goods, being the same, or very nearly the same, as before, a very small part of the money, which being forced abroad by those operations of banking, is employed in purchasing foreign goods for home consumption, is likely to be employed in purchasing those for their use. The greater part of it will naturally be destined for the employment of industry, and not for the maintenance of idleness.

The quantity of industry which the circulating capital can employ

When we compute the quantity of industry which the circulating capital of any society can employ, we must always have regard to those parts of it only, which consist in provisions, materials, and finished work: the other, which consists in money, and which serves only to is determined by the provisions, materials, and finished work, and not at all by the quantity of money.

circulate those three, must always be deducted. In order to put industry into motion, three things are requisite; materials to work upon, tools to work with, and the wages or recompence for the sake of which the work is done. Money is neither a material to work upon, nor a tool to work with; and though the wages of the workman are commonly paid to him in money, his real revenue, like that of all other men, consists, not in the money, but in the money's worth; not in the metal pieces, but in what can be got for them.

The quantity of industry which any capital can employ, must, evidently, be equal to the number of workmen whom it can supply with materials, tools, and a maintenance suitable to the nature of the work. Money may be requisite for purchasing the materials and tools of the work, as well as the maintenance of the workmen. But the quantity of industry which the whole capital can employ, is certainly not equal both to the money which purchases, and to the materials, tools, and maintenance, which are purchased with it; but only to one or other of those two values, and to the latter more properly than to the former.

The substitution of paper for gold and silver increases the materials, tools, and maintenance at the expense of the gold and silver money.

When paper is substituted in the room of gold and silver money, the quantity of the materials, tools, and maintenance, which the whole circulating capital can supply, may be increased by the whole value of gold and silver which used to be employed in purchasing them. The whole value of the great wheel of circulation and distribution, is added to the goods which are circulated and distributed by means of it. The operation, in some measure, resembles that of the undertaker of some great work, who, in consequence of some improvement in mechanics, takes down his old machinery, and adds the difference between its price and that of the new to his circulating capital, to the fund from which he furnishes materials and wages to his workmen.[1]

The quantity of money bears a small proportion to the whole produce, but a large one to that part destined to maintain industry.

What is the proportion which the circulating money of any country bears to the whole value of the annual produce circulated by means of it, it is, perhaps, impossible to determine. It has been computed by different authors at a fifth, at a tenth, at a twentieth, and at a thirtieth part of that value.[2] But how small soever the proportion which the circulating money may bear to the whole value of the annual produce, as but a part, and frequently but a small part, of that produce, is ever destined for the maintenance of industry, it must always bear a very considerable proportion to that part. When, therefore, by the substitution of paper, the gold and silver necessary for circulation is reduced to, perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four-fifths be added to the funds which are destined for the maintenance of industry, it must make a very considerable addition to the quantity of that industry, and, consequently, to the value of the annual produce of land and labour.

---

[1] [Above, pp. 270, 271.]

[2] [Petty's estimate in *Verbum Sapienti* is £40,000,000 for the income and £6,000,000 for the coin. Gregory King's estimate is £43,500,000 for the income and no less than £11,500,000 for the coin, in Geo. Chalmers, *Estimate*, 1802, pp. 423, 427.]

An operation of this kind has been carried out in Scotland with excellent effects.

An operation of this kind has, within these five-and-twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almost every considerable town, and even in some country villages.[1] The effects of it have been precisely those above described. The business of the country is almost entirely carried on by means of the paper of those different banking companies, with which purchases and payments of all kinds are commonly made. Silver very seldom appears except in the change of a twenty shillings bank note, and gold still seldomer. But though the conduct of all those different companies has not been unexceptionable, and has accordingly required an act of parliament to regulate it; the country,[2] notwithstanding, has evidently derived great benefit from their trade. I have heard it asserted, that the trade of the city of Glasgow, doubled in about fifteen years after the first erection of the banks there; and that the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh, of which the one, called The Bank of Scotland, was established by act of parliament in 1695; the other, called The Royal Bank, by royal charter in 1727.[3] Whether the trade, either of Scotland in general, or of the city of Glasgow in particular, has really increased in so great a proportion, during so short a period, I do not pretend to know. If either of them has increased in this proportion, it seems to be an effect too great to be accounted for by the sole operation of this cause. That the trade and industry of Scotland, however, have increased very considerably during this period, and that the banks have contributed a good deal to this increase, cannot be doubted.

There was at the Union at least a million sterling of gold and silver money, and now there is not half a million.

The value of the silver money which circulated in Scotland before the union, in 1707, and which, immediately after it, was brought into the bank of Scotland in order to be re-coined, amounted to 411,117 *l.* 10 *s.* 9 *d.* sterling. No account has been got of the gold coin; but it appears from the ancient accounts of the mint of Scotland, that the value of the gold annually coined somewhat exceeded that of the silver.[4] There were a good many people too upon this occasion, who, from a diffidence of repayment, did not bring their silver into the bank of Scotland: and there was, besides, some English coin, which was not called in.[1] The whole value of the gold and silver, therefore, which circulated in Scotland before the union, cannot be estimated at less than a million sterling. It seems to have constituted almost the whole circulation of that country; for though the circulation of the bank of Scotland, which had then no rival, was considerable, it seems to have made but a very small part of the whole. In the present times the whole circulation of Scotland cannot be estimated at less than two millions, of which that part which consists in gold and silver, most probably, does not amount to half a million. But though the circulating gold and silver of Scotland have suffered so great a diminution during this period, its real riches and prosperity do not appear to have suffered any. Its agriculture, manufactures, and trade, on the contrary, the annual produce of its land and labour, have evidently been augmented.

---

[1] [Below, p. 291.]

[2] [Misprinted 'contrary' in ed. 5.]

[3] [Adam Anderson, *Commerce*, A.D. 1695.]

[4] See Ruddiman's Preface to Anderson's Diplomata, &c. Scotiæ. [Pp. 84, 85. See above, p. 212, note.]

Notes are ordinarily issued by discounting bills,

It is chiefly by discounting bills of exchange, that is, by advancing money upon them before they are due, that the greater part of banks and bankers issue their promissory notes. They deduct always, upon whatever sum they advance, the legal interest till the bill shall become due. The payment of the bill, when it becomes due, replaces to the bank the value of what had been advanced, together with a clear profit of the interest. The banker who advances to the merchant whose bill he discounts, not gold and silver, but his own promissory notes, has the advantage of being able to discount to a greater amount by the whole value of his promissory notes, which he finds by experience, are commonly in circulation. He is thereby enabled to make his clear gain of interest on so much a larger sum.

but the Scotch banks invented the system of cash accounts,

The commerce of Scotland, which at present is not very great, was still more inconsiderable when the two first banking companies were established; and those companies would have had but little trade, had they confined their business to the discounting of bills of exchange. They invented, therefore, another method of issuing their promissory notes; by granting, what they called, cash accounts, that is by giving credit to the extent of a certain sum (two or three thousand pounds, for example), to any individual who could procure two persons of undoubted credit and good landed estate to become surety for him, that whatever money should be advanced to him, within the sum for which the credit had been given, should be repaid upon demand, together with the legal interest. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the easy terms upon which the Scotch banking companies accept of re-payment are, so far as I know, peculiar to them, and have, perhaps, been the principal cause, both of the great trade of those companies, and of the benefit which the country has received from it.

---

[1] [' The folly of a few misers or the fear that people might have of losing their money, or various other dangers and accidents, prevented very many of the old Scots coins from being brought in,' *op. cit.*, p. 175. Ruddiman in a note, *op. cit.*, p. 231, says: ' The English coin was also ordained to be called in,' but does not include it in his estimate of not less than £900,000, p. 176.]

which enable them to issue notes readily,

Whoever has a credit of this kind with one of those companies, and borrows a thousand pounds upon it, for example, may repay this sum piece-meal, by twenty and thirty pounds at a time, the company discounting a proportionable part of the interest of the great sum from the day on which each of those small sums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almost all men of business, find it convenient to keep such cash accounts with them, and are thereby interested to promote the trade of those companies, by readily receiving their notes in all payments, and by encouraging all those with whom they have any influence to do the same. The banks, when their customers apply to them for money, generally advance it to them in their own promissory notes. These the merchants pay away to the manufacturers for goods, the manufacturers to the farmers for materials and provisions, the farmers to their landlords for rent, the landlords repay them to the merchants for the conveniencies and luxuries with which they supply them, and the merchants again return them to the banks in order to balance their cash accounts, or to replace what they may have borrowed of them; and thus almost the whole money business of the country is transacted by means of them. Hence the great trade of those companies.

and make it possible for every merchant to carry on a greater trade than he otherwise could.

By means of those cash accounts every merchant can, without imprudence, carry on a greater trade than he otherwise could do. If there are two merchants, one in London, and the other in Edinburgh, who employ equal stocks in the same branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade, and give employment to a greater number of people than the London merchant. The London merchant must always keep by him a considerable sum of money, either in his own coffers, or in those of his banker, who gives him no interest for it, in order to answer the demands continually coming upon him for payment of the goods which he purchases upon credit. Let the ordinary amount of this sum be supposed five hundred pounds. The value of the goods in his warehouse must always be less by five hundred pounds than it would have been, had he not been obliged to keep such a sum unemployed. Let us suppose that he generally disposes of his whole stock upon hand, or of goods to the value of his whole stock upon hand, once in the year. By being obliged to keep so great a sum unemployed, he must sell in a year five hundred pounds worth less goods than he might otherwise have done. His annual profits must be less by all that he could have made by the sale of five hundred pounds worth more goods; and the number of people employed in preparing his goods for the market, must be less by all those that five hundred pounds more stock could have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for answering such occasional demands. When they actually come upon him, he satisfies them from his cash account with the bank, and gradually replaces the sum borrowed with the money or paper which comes in from the occasional sales of his goods. With the same stock, therefore, he can, without imprudence, have at all times in his warehouse a larger quantity of goods than the London merchant; and can thereby both make a greater profit himself, and give constant employment to a greater number of industrious people who prepare those goods for the market. Hence the great benefit which the country has derived from this trade.

The Scotch banks can of course discount bills when required.

The facility of discounting bills of exchange, it may be thought indeed, gives the English merchants a conveniency equivalent to the cash accounts of the Scotch merchants. But the Scotch merchants, it must be remembered, can discount their bills of exchange as easily as the English merchants; and have, besides, the additional conveniency of their cash accounts.

The whole of the paper money can never exceed the gold and silver which would have been required in its absence.

The whole paper money of every kind which can easily circulate in any country never can exceed the value of the gold and silver, of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money. If twenty shilling notes, for example, are the lowest paper money current in Scotland, the whole of that currency which can easily circulate there cannot exceed the sum of gold and silver which would be necessary for transacting the annual exchanges of twenty shillings value and upwards usually transacted within that country. Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad nor be employed in the circulation of the country, it must immediately return upon the banks to be exchanged for gold and silver. Many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home, and as they could not send it abroad, they would immediately demand payment of it from the banks. When this superfluous paper was converted into gold and silver, they could easily find a use for it by sending it abroad; but they could find none while it remained in the shape of paper. There would immediately, therefore, be a run upon the banks to the whole extent of this superfluous paper, and, if they shewed any difficulty or backwardness in payment, to a much greater extent; the alarm, which this would occasion, necessarily increasing the run.

The peculiar expenses of a bank are (1) the keeping and (2) the replenishing of a stock of money with which to repay notes.

Over and above the expences which are common to every branch of trade; such as the expence of house-rent, the wages of servants, clerks, accountants, &c.; the expences peculiar to a bank consist chiefly in two articles: First, in the expence of keeping at all times in its coffers, for answering the occasional demands of the holders of its notes, a large sum of money, of which it loses the interest: And, secondly, in the expence of replenishing those coffers as fast as they are emptied by answering such occasional demands.

A bank which issues too much paper will much increase both the first

A banking company, which issues more paper than can be employed in the circulation of the country, and of which the excess is continually returning upon them for payment, ought to increase the quantity of gold and silver, which they keep at all times in their coffers, not only in proportion to this excessive increase of their circulation, but in a much greater proportion; their notes returning upon them much faster than in proportion to the excess of their quantity. Such a company, therefore, ought to increase the first article of their expence, not only in proportion to this forced increase of their business, but in a much greater proportion.

and the second expense,

The coffers of such a company too, though they ought to be filled much fuller, yet must empty themselves much faster than if their business was confined within more reasonable bounds, and must require, not only a more violent, but a more constant and uninterrupted exertion of expence in order to replenish them. The coin too, which is thus continually drawn in such large quantities from their coffers, cannot be employed in the circulation of the country. It comes in place of a paper which is over and above what can be employed in that circulation, and is therefore over and above what can be employed in it too. But as that coin will not be allowed to lie idle, it must, in one shape or another, be sent abroad, in order to find that profitable employment which it cannot find at home; and this continual exportation of gold and silver, by enhancing the difficulty, must necessarily enhance still further the expence of the bank, in finding new gold and silver in order to replenish those coffers, which empty themselves so very rapidly. Such a company, therefore, must, in proportion to this forced increase of their business, increase the second article of their expence still more than the first.

as may be shown by an example.

Let us suppose that all the paper of a particular bank, which the circulation of the country can easily absorb and employ, amounts exactly to forty thousand pounds; and that for answering occasional demands, this bank is obliged to keep at all times in its coffers ten thousand pounds in gold and silver. Should this bank attempt to circulate forty-four thousand pounds, the four thousand pounds which are over and above what the circulation can easily absorb and employ, will return upon it almost as fast as they are issued. For answering occasional demands, therefore, this bank ought to keep at all times in its coffers, not eleven thousand pounds only, but fourteen thousand pounds. It will thus gain nothing by the interest of the four thousand pounds excessive circulation; and it will lose the whole expence of continually collecting four thousand pounds in gold and silver, which will be continually going out of its coffers as fast as they are brought into them.

Banks have sometimes not understood this,

Had every particular banking company always understood and attended to its own particular interest, the circulation never could have been overstocked with paper money. But every particular banking company has not always understood or attended to its own particular interest, and the circulation has frequently been overstocked with paper money.

e.g., the Bank of England,

By issuing too great a quantity of paper, of which the excess was continually returning, in order to be exchanged for gold and silver, the bank of England was for many years together obliged to coin gold to the extent of between eight hundred thousand pounds and a million a year; or at an average, about eight hundred and fifty thousand pounds.[1] For this great coinage the bank (in consequence of the worn and degraded state into which the gold coin had fallen a few years ago) was frequently obliged to purchase gold bullion at the high price of four pounds an ounce, which it soon after issued in coin at 3 *l.* 17 *s.* 10½ *d.* an ounce, losing in this manner between two and a half and three per cent. upon the coinage of so very large a sum. Though the bank therefore paid no seignorage, though the government was properly at the expence of the coinage, this liberality of government did not prevent altogether the expence of the bank.

---

[1] [From 1766 to 1772 inclusive the coinage averaged about £810,000 per annum. The amount for 'ten years together' is stated below, vol. ii., pp. 51, 56, to have been upwards of £800,000 a year, though the average for the ten years 1763-1772 was only £760,000. But the inclusion of the large coinage of 1773, *viz.*, £1,317,645, would raise these averages considerably. See the figures at the end of each year in Macpherson, *Annals of Commerce.*]

and the Scotch banks.

The Scotch banks, in consequence of an excess of the same kind, were all obliged to employ constantly agents at London to collect money for them, at an expence which was seldom below one and a half or two per cent. This money was sent down by the waggon, and insured by the carriers at an additional expence of three quarters per cent. or fifteen shillings on the hundred pounds. Those agents were not always able to replenish the coffers of their employers so fast as they were emptied. In this case the resource of the banks was, to draw upon their correspondents in London bills of exchange to the extent of the sum which they wanted. When those correspondents afterwards drew upon them for the payment of this sum, together with the interest and a commission, some of those banks, from the distress into which their excessive circulation had thrown them, had sometimes no other means of satisfying this draught but by drawing a second set of bills either upon the same, or upon some other correspondents in London; and the same sum, or rather bills for the same sum, would in this manner make sometimes more than two or three journies: the debtor bank, paying always the interest and commission upon the whole accumulated sum. Even those Scotch banks which never distinguished themselves by their extreme imprudence, were sometimes obliged to employ this ruinous resource.

The gold coin which was paid out either by the bank of England, or by the Scotch banks, in exchange for that part of their paper which was over and above what could be employed in the circulation of the country, being likewise over and above what could be employed in that circulation, was sometimes sent abroad in the shape of coin, sometimes melted down and sent abroad in the shape of bullion, and sometimes melted down and sold to the bank of England at the high price of four pounds an ounce. It was the newest, the heaviest, and the best pieces only which were carefully picked out of the whole coin, and either sent abroad or melted down. At home, and while they remained[1] in the shape of coin, those heavy pieces were of no more value than the light: But they were of more value abroad, or when melted down into bullion, at home. The bank of England, notwithstanding their great annual coinage, found to their astonishment, that there was every year the same scarcity of coin as there had been the year before; and that notwithstanding the great quantity of good and new coin which was every year issued from the bank, the state of the coin, instead of growing better and better, became every year worse and worse. Every year they found themselves under the necessity of coining nearly the same quantity of gold as they had coined the year before, and from the continual rise in the price of gold bullion, in consequence of the continual wearing and clipping of the coin, the expence of this great annual coinage became every year greater and greater. The bank of England, it is to be observed, by supplying its own coffers with coin, is indirectly obliged to supply the whole kingdom, into which coin is continually flowing from those coffers in a great variety of ways. Whatever coin therefore was wanted to support this excessive circulation both of Scotch and English paper money, whatever vacuities this excessive circulation occasioned in the necessary coin of the kingdom, the bank of England was obliged to supply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention. But the bank of England paid very dearly, not only for its own imprudence, but for the much greater imprudence of almost all the Scotch banks.

---

[1] [Misprinted 'remain' in ed. 5.]

The excessive circulation was caused by overtrading.

The over-trading of some bold projectors in both parts of the united kingdom, was the original cause of this excessive circulation of paper money.

A bank ought not to advance more than the amount which merchants would otherwise have to keep by them in cash.

What a bank can with propriety advance to a merchant or undertaker of any kind, is not either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only, which he would otherwise be obliged to keep by him unemployed, and in ready money for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver, which would necessarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can easily absorb and employ.

This limit is observed when only real bills of exchange are discounted.

When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor; it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with the interest. The coffers of the bank, so far as its dealings are confined to such customers, resemble a water pond, from which, though a stream is continually running out, yet another is continually running in, fully equal to that which runs out; so that, without any further care or attention, the pond keeps always equally, or very near equally full. Little or no expence can ever be necessary for replenishing the coffers of such a bank.

Cash accounts should be carefully watched to secure the same end,

A merchant, without over-trading, may frequently have occasion for a sum of ready money, even when he has no bills to discount. When a bank, besides discounting his bills, advances him likewise upon such occasions, such sums upon his cash account, and accepts of a piece meal repayment as the money comes in from the occasional sale of his goods, upon the easy terms of the banking companies of Scotland; it dispenses him entirely from the necessity of keeping any part of his stock by him unemployed and in ready money for answering occasional demands. When such demands actually come upon him, he can answer them sufficiently from his cash account. The bank, however, in dealing with such customers, ought to observe with great attention, whether in the course of some short period (of four, five, six, or eight months, for example) the sum of the repayments which it commonly receives from them, is, or is not, fully equal to that of the advances which it commonly makes to them. If, within the course of such short periods, the sum of the repayments from certain customers is, upon most occasions, fully equal to that of the advances, it may safely continue to deal with such customers. Though the stream which is in this case continually running out from its coffers may be very large, that which is continually running into them must be at least equally large; so that without any further care or attention those coffers are likely to be always equally or very near equally full; and scarce ever to require any extraordinary expence to replenish them. If, on the contrary, the sum of the repayments from certain other customers falls commonly very much short of the advances which it makes to them, it cannot with any safety continue to deal with such customers, at least if they continue to deal with it in this manner. The stream which is in this case continually running out from its coffers is necessarily much larger than that which is continually running in; so that, unless they are replenished by some great and continual effort of expence, those coffers must soon be exhausted altogether.

as they were for a long time by the Scotch banks, which required frequent and regular operations,

The banking companies of Scotland, accordingly, were for a long time very careful to require frequent and regular repayments from all their customers, and did not care to deal with any person, whatever might be his fortune or credit, who did not make, what they called, frequent and regular operations with them. By this attention, besides saving almost entirely the extraordinary expence of replenishing their coffers, they gained two other very considerable advantages.

and thus (1) were able to judge of the circumstances of

First, by this attention they were enabled to make some tolerable judgment concerning the thriving or declining circumstances of their debtors, without being obliged to look out for any other evidence besides what their own books afforded them; men being for the most part either regular or irregular in their repayments, according as their circumstances are either thriving or declining. A private man who lends out his money to perhaps half a dozen or a dozen of debtors, may, either by himself or his agents, observe and enquire both constantly and carefully into the conduct and situation of each of them. But a banking company, which lends money to perhaps five hundred different people, and of which the attention is continually occupied by objects of a very different kind, can have no regular information concerning the conduct and circumstances of the greater part of its debtors beyond what its own books afford it.[1] In requiring frequent and regular repayments from all their customers, the banking companies of Scotland had probably this advantage in view.

their debtors,

Secondly, by this attention they secured themselves from the possibility of issuing more paper money than what the circulation of the country could easily absorb and employ. When they observed, that within moderate periods of time the repayments of a particular customer were upon most occasions fully equal to the advances which they had made to him, they might be assured that the paper money which they had advanced to him, had not at any time exceeded the quantity of gold and silver which he would otherwise have been obliged to keep by him for answering occasional demands; and that, consequently, the paper money, which they had circulated by his means, had not at any time exceeded the quantity of gold and silver which would have circulated in the country, had there been no paper money. The frequency, regularity and amounts of his repayments would sufficiently demonstrate that the amount of their advances had at no time exceeded that part of his capital which he would otherwise have been obliged to keep by him unemployed and in ready money for answering occasional demands; that is, for the purpose of keeping the rest of his capital in constant employment. It is this part of his capital only which, within moderate periods of time, is continually returning to every dealer in the shape of money, whether paper or coin, and continually going from him in the same shape. If the advances of the bank had commonly exceeded this part of his capital, the ordinary amount of his repayments could not, within moderate periods of time, have equalled the ordinary amount of its advances. The stream which, by means of his dealings, was continually running into the coffers of the bank, could not have been equal to the stream

and (2) were secured against issuing too much paper.

---

[1] [But as Playfair (ed. of *Wealth of Nations*, vol. i., p. 472) points out, the more customers a bank has the more it is likely to know the transactions of each of them.]

which, by means of the same dealings, was continually running out. The advances of the bank paper, by exceeding the quantity of gold and silver which, had there been no such advances, he would have been obliged to keep by him for answering occasional demands, might soon come to exceed the whole quantity of gold and silver which (the commerce being supposed the same) would have circulated in the country had there been no paper money; and consequently to exceed the quantity which the circulation of the country could easily absorb and employ; and the excess of this paper money would immediately have returned upon the bank in order to be exchanged for gold and silver. This second advantage, though equally real, was not perhaps so well understood by all the different banking companies of Scotland as the first.

Bankers' loans ought to be only for moderate periods of time.

When, partly by the conveniency of discounting bills, and partly by that of cash accounts, the creditable traders of any country can be dispensed from the necessity of keeping any part of their stock by them unemployed and in ready money for answering occasional demands, they can reasonably expect no farther assistance from banks and bankers, who, when they have gone thus far, cannot, consistently with their own interest and safety, go farther. A bank cannot, consistently with its own interest, advance to a trader the whole or even the greater part of the circulating capital with which he trades; because, though that capital is continually returning to him in the shape of money, and going from him in the same shape, yet the whole of the returns is too distant from the whole of the outgoings, and the sum of his repayments could not equal the sum of its advances within such moderate periods of time as suit the conveniency of a bank. Still less could a bank afford to advance him any considerable part of his fixed capital; of the capital which the undertaker of an iron forge, for example, employs in erecting his forge and smelting-house, his work-houses and warehouses, the dwelling-houses of his workmen, &c.; of the capital which the undertaker of a mine employs in sinking his shafts, in erecting engines for drawing out the water, in making roads and waggon-ways, &c.; of the capital which the person who undertakes to improve land employs in clearing, draining, enclosing, manuring and ploughing waste and uncultivated fields, in building farm-houses, with all their necessary appendages of stables, granaries, &c. The returns of the fixed capital are in almost all cases much slower than those of the circulating capital; and such expences, even when laid out with the greatest prudence and judgment, very seldom return to the undertaker till after a period of many years, a period by far too distant to suit the conveniency of a bank. Traders and other undertakers may, no doubt, with great propriety, carry on a very considerable part of their projects with borrowed money. In justice to their creditors, however, their own capital ought, in this case, to be sufficient to ensure, if I may say so, the capital of those creditors; or to render it extremely improbable that those creditors should incur any loss, even though the success of the project should fall very much short of the expectation of the projectors. Even with this precaution too, the money which is borrowed, and which it is meant should not be repaid till after a period of several years, ought not to be borrowed of a bank, but ought to be borrowed upon bond or mortgage, of such private people as propose to live upon the interest of their money, without taking the trouble themselves to employ the capital; and who are upon that account willing to lend that capital to such people of good credit as are likely to keep it for several years. A bank, indeed, which lends its money without the expence of stampt paper, or of attornies fees for drawing bonds and mortgages, and which accepts of repayment upon the easy terms of the banking companies of Scotland; would, no doubt, be a very convenient creditor to such traders and undertakers. But such traders and undertakers would, surely, be most inconvenient debtors to such a bank.

More than twenty-five years ago the proper amount of paper money had been reached in Scotland,

It is now more than five-and-twenty years since the paper money issued by the different banking companies of Scotland was fully equal, or rather was somewhat more than fully equal, to what the circulation of the country could easily absorb and employ.[1] Those companies, therefore, had so long ago given all the assistance to the traders and other undertakers of Scotland which it is possible for banks and bankers, consistently with their own interest, to give. They had even done somewhat more. They had over-traded a little, and had brought upon themselves that loss, or at least that diminution of profit, which in this particular business never fails to attend the smallest degree of over-trading. Those traders and other undertakers, having got so much assistance from banks and bankers, wished to get still more. The banks, they seem to have thought, could extend their credits to whatever sum might be wanted, without incurring any other expence besides that of a few reams of paper. They complained of the contracted views and dastardly spirit of the directors of those banks, which did not, they said, extend their credits in proportion to the extension of the trade of the country; meaning, no doubt, by the extension of that trade the extension of their own projects beyond what they could

but the traders were not content,

---

[1] [Above, p. 280.]

carry on, either with their own capital, or with what they had credit to borrow of private people in the usual way of bond or mortgage. The banks, they seem to have thought, were in honour bound to supply the deficiency, and to provide them with all the capital which they wanted to trade with. The banks, however, were of a different opinion, and upon their refusing to extend their credits, some of those traders had recourse to an expedient which, for a time, served their purpose, though at a much greater expence, yet as effectually as the utmost extension of bank credits could have done. This expedient was no other than the well-known shift of drawing and re-drawing; the shift to which unfortunate traders have sometimes recourse when they are upon the brink of bankruptcy. The practice of raising money in this manner had been long known in England, and during the course of the late war, when the high profits of trade afforded a great temptation to over-trading, is said to have been carried on to a very great extent. From England it was brought into Scotland, where, in proportion to the very limited commerce, and to the very moderate capital of the country, it was soon carried on to a much greater extent than it ever had been in England.

and some of them resorted to drawing and redrawing,

which shall be explained.

The practice of drawing and re-drawing is so well known to all men of business, that it may perhaps be thought unnecessary to give any account of it. But as this book may come into the hands of many people who are not men of business, and as the effects of this practice upon the banking trade are not perhaps generally understood even by men of business themselves, I shall endeavour to explain it as distinctly as I can.

Bills of exchange have extraordinary legal privileges.

The customs of merchants, which were established when the barbarous laws of Europe did not enforce the performance of their contracts, and which during the course of the two last centuries have been adopted into the laws of all European nations, have given such extraordinary privileges to bills of exchange, that money is more readily advanced upon them, than upon any other species of obligation; especially when they are made payable within so short a period as two or three months after their date. If, when the bill becomes due, the acceptor does not pay it as soon as it is presented, he becomes from that moment a bankrupt. The bill is protested, and returns upon the drawer, who, if he does not immediately pay it, becomes likewise a bankrupt. If, before it came to the person who presents it to the acceptor for payment, it had passed through the hands of several other persons, who had successively advanced to one another the contents of it either in money or goods, and who to express that each of them had in his turn received those contents, had all of them in their order endorsed, that is, written their names upon the back of the bill; each endorser becomes in his turn liable to the owner of the bill for those contents, and, if he fails to pay, he becomes too from that moment a bankrupt. Though the drawer, acceptor, and endorsers of the bill should, all of them, be persons of doubtful credit; yet still the shortness of the date gives some security to the owner of the bill. Though all of them may be very likely to become bankrupts; it is a chance if they all become so in so short a time. The house is crazy, says a weary traveller to himself, and will not stand very long; but it is a chance if it falls to-night, and I will venture, therefore, to sleep in it to-night.

So two persons, one in London and one in Edinburgh, would draw bills on each other.

The trader A in Edinburgh, we shall suppose, draws a bill upon B in London, payable two months after date. In reality B in London owes nothing to A in Edinburgh; but he agrees to accept of A's bill, upon condition that before the term of payment he shall redraw upon A in Edinburgh for the same sum, together with the interest and a commission, another bill, payable likewise two months after date. B accordingly, before the expiration of the first two months, re-draws this bill upon A in Edinburgh; who again, before the expiration of the second two months, draws a second bill upon B in London, payable likewise two months after date; and before the expiration of the third two months, B in London re-draws upon A in Edinburgh another bill, payable also two months after date. This practice has sometimes gone on, not only for several months, but for several years together, the bill always returning upon A in Edinburgh, with the accumulated interest and commission of all the former bills. The interest was five per cent. in the year, and the commission was never less than one half per cent. on each draught. This commission being repeated more than six times in the year, whatever money A might raise by this expedient must necessarily have cost him something more than eight per cent. in the year, and sometimes a great deal more; when either the price of the commission happened to rise, or when he was obliged to pay compound interest upon the interest and commission of former bills. This practice was called raising money by circulation.

Much money was raised in this expensive way.

In a country where the ordinary profits of stock in the greater part of mercantile projects are supposed to run between six and ten per cent., it must have been a very fortunate speculation of which the returns could not only repay the enormous expence at which the money was thus borrowed for carrying it on; but afford, besides, a good surplus profit to the projector. Many vast and extensive projects, however, were undertaken, and for several years carried on without any other fund to support them besides what was raised at this enormous expence. The projectors, no doubt, had in their golden dreams the most distinct vision of this great profit. Upon their awaking, however, either at the end of their projects, or when they were no longer able to carry them on, they very seldom, I believe, had the good fortune to find it.[1]

The bill on London would be discounted in Edinburgh, and the bill on Edinburgh discounted in London,

The bills which A in Edinburgh drew upon B in London, he regularly discounted two months before they were due with some bank or banker in Edinburgh; and the bills which B in London redrew upon A in Edinburgh, he as regularly discounted either with the bank of England, or with some other bankers in London. Whatever was advanced upon such circulating bills, was, in Edinburgh, advanced in the paper of the Scotch banks, and in London, when they were discounted at the bank of England, in the paper of that bank. Though the bills upon which this paper had been advanced, were all of them re-paid in their turn as soon as they became due; yet the value which had been really advanced upon the first bill, was never really returned to the banks which advanced it; because, before each bill became due, another bill was always drawn to somewhat a greater amount than the bill which was soon to be paid; and the discounting of this other bill was essentially necessary towards the payment of

and each was always replaced by another.

---

[1] The method described in the text was by no means either the most common or the most expensive one in which those adventurers sometimes raised money by circulation. It frequently happened that A in Edinburgh would enable B in London to pay the first bill of exchange by drawing, a few days before it became due, a second bill at three months date upon the same B in London. This bill, being payable to his own order, A sold in Edinburgh at par; and with its contents purchased bills upon London payable at sight to the order of B, to whom he sent them by the post. Towards the end of the late war, the exchange between Edinburgh and London was frequently three per cent. against Edinburgh, and those bills at sight must frequently have cost A that premium. This transaction therefore being repeated at least four times in the year, and being loaded with a commission of at least one half per cent. upon each repetition, must at that period have cost A at least fourteen per cent. in the year. At other times A would enable B to discharge the first bill of exchange by drawing, a few days before it became due, a second bill at two months date; not upon B, but upon some third person, C, for example, in London. This other bill was made payable to the order of B, who, upon its being accepted by C, discounted it with some banker in London; and A enabled C to discharge it by drawing, a few days before it became due, a third bill, likewise at two months date, sometimes upon his first correspondent B, and sometimes upon some fourth or fifth person, D or E, for example. This third bill was made payable to the order of C; who, as soon as it was accepted, discounted it in the same manner with some banker in London. Such operations being repeated at least six times in the year, and being loaded with a commission of at least one-half per cent. upon each repetition, together with the legal interest of five per cent., this method of raising money, in the same manner as that described in the text, must have cost A something more than eight per cent. By saving, however, the exchange between Edinburgh and London it was less expensive than that mentioned in the foregoing part of this note; but then it required an established credit with more houses than one in London, an advantage which many of these adventurers could not always find it easy to procure. [This note appears first in ed. 2. Playfair observes that the calculation of the loss of 14 per cent. by the first method is wrong, since 'if A at Edinburgh negotiated his bills on London at 3 per cent. loss, he would gain as much in purchasing bills on London with the money.'—Ed. of *Wealth of Nations*, vol. i., p. 483, note.]

that which was soon to be due. This payment, therefore, was altogether fictitious. The stream, which, by means of those circulating bills of exchange, had once been made to run out from the coffers of the banks, was never replaced by any stream which really run into them.

The amount thus advanced by the banks was in excess of the limit laid down above, but this was not perceived at first.

The paper which was issued upon those circulating bills of exchange, amounted, upon many occasions, to the whole fund destined for carrying on some vast and extensive project of agriculture, commerce, or manufactures; and not merely to that part of it which, had there been no paper money, the projector would have been obliged to keep by him, unemployed and in ready money for answering occasional demands. The greater part of this paper was, consequently, over and above the value of the gold and silver which would have circulated in the country, had there been no paper money. It was over and above, therefore, what the circulation of the country could easily absorb and employ, and upon that account immediately returned upon the banks in order to be exchanged for gold and silver, which they were to find as they could. It was a capital which those projectors had very artfully contrived to draw from those banks, not only without their knowledge or deliberate consent, but for some time, perhaps, without their having the most distant suspicion that they had really advanced it.

When the banks found it out they made difficulties about discounting,

When two people, who are continually drawing and re-drawing upon one another, discount their bills always with the same banker, he must immediately discover what they are about, and see clearly that they are trading, not with any capital of their own, but with the capital which he advances to them. But this discovery is not altogether so easy when they discount their bills sometimes with one banker, and sometimes with another, and when the same two persons do not constantly draw and re-draw upon one another, but occasionally run the round of a great circle of projectors, who find it for their interest to assist one another in this method of raising money, and to render it, upon that account, as difficult as possible to distinguish between a real and a fictitious bill of exchange; between a bill drawn by a real creditor upon a real debtor, and a bill for which there was properly no real creditor but the bank which discounted it; nor any real debtor but the projector who made use of the money. When a banker had even made this discovery, he might sometimes make it too late, and might find that he had already discounted the bills of those projectors to so great an extent, that, by refusing to discount any more, he would necessarily make them all bankrupts, and thus, by ruining them, might perhaps ruin himself. For his own interest and safety, therefore, he might find it necessary, in this very perilous situation, to go on for some time, endeavouring, however, to withdraw gradually, and upon that account making every day greater and greater difficulties about discounting, in order to force those projectors by degrees to have recourse, either to other bankers, or to other methods of raising money; so as that he himself might, as soon as possible, get out of the circle. The difficulties, accordingly, which the bank of England, which the principal bankers in London, and which even the more prudent Scotch banks began, after a certain time, and when all of them had already gone too far, to make about discounting, not only alarmed, but enraged in the highest degree those projectors. Their own distress, of which this prudent and necessary reserve of the banks was, no doubt, the immediate occasion, they called the distress of the country; and this distress of the country, they said, was altogether owing to the ignorance, pusillanimity, and bad conduct of the banks, which did not give a sufficiently liberal aid to the spirited undertakings of those who exerted themselves in order to beautify, improve, and enrich the country. It was the duty of the banks, they seemed to think, to lend for as long a time, and to as great an extent as they might wish to borrow. The banks, however, by refusing in this manner to give more credit to those, to whom they had already given a great deal too much, took the only method by which it was now possible to save either their own credit, or the public credit of the country.

which alarmed and enraged the projectors;

then the Ayr bank was established and advanced money very freely,

In the midst of this clamour and distress, a new bank[1] was established in Scotland for the express purpose of relieving the distress of the country. The design was generous; but the execution was imprudent, and the nature and causes of the distress which it meant to relieve, were not, perhaps, well understood. This bank was more liberal than any other had ever been, both in granting cash accounts, and in discounting bills of exchange. With regard to the latter, it seems to have made scarce any distinction between real and circulating bills, but to have discounted all equally. It was the avowed principle of this bank to advance, upon any reasonable security, the whole capital which was to be employed in those[1] improvements of which the returns are the most slow and distant, such as the improvements of land. To promote such improvements was even said to be the chief of the public spirited purposes for which it was instituted. By its liberality in granting cash accounts, and in discounting bills of exchange, it, no doubt, issued great quantities of its bank notes. But those bank notes being, the greater part of them, over and above what the circulation of the country could easily absorb and employ, returned upon it, in order to be exchanged for gold and silver, as fast as they were issued. Its coffers were never well filled. The capital which had been subscribed to this bank at two different subscriptions, amounted to one hundred and sixty thousand pounds, of which eighty per cent. only was paid up. This sum ought to have been paid in at several different instalments. A great part of the proprietors, when they paid in their first instalment, opened a cash account with the bank; and the directors, thinking themselves obliged to treat their own proprietors with the same liberality with which they treated all other men, allowed many of them to borrow upon this cash account what they paid in upon all their subsequent instalments. Such payments, therefore, only put into one coffer, what had the moment before been taken out of another. But had the coffers of this bank been filled ever so well, its excessive circulation must have emptied them faster than they could have been replenished by any other expedient but the ruinous one of drawing upon London, and when the bill became due, paying it, together with interest and commission, by another draught upon the same place. Its coffers having been filled so very ill, it is said to have been driven to this resource within a very few months after it began to do business. The estates of the proprietors of this bank were worth several millions, and by their subscription to the original bond or contract of the bank, were really pledged for answering all its engagements.[2] By means of the great credit which so great a pledge necessarily gave it, it was, notwithstanding its too liberal conduct, enabled to carry on business for

---

[1] [The index *s.v.* Bank gives the name, 'the Ayr bank'. Its head office was at Ayr, but it had branches at Edinburgh and Dumfries. A detailed history of it is to be found in *The Precipitation and Fall of Messrs. Douglas, Heron and Company, late Bankers in Air with the Causes of their Distress and Ruin investigated and considered by a Committee of Inquiry appointed by the Proprietors*, Edinburgh, 1778. From this it appears that Smith's account of the proceedings of the bank is extremely accurate, a fact which is doubtless due to his old pupil, the Duke of Buccleuch, having been one of the principal shareholders. Writing to Pulteney on 5th September, 1772, Smith says, 'though I have had no concern myself in the public calamities, some of the friends in whom I interest myself the most have been deeply concerned in them; and my attention has been a good deal occupied about the most proper method of extricating them'. The extrication was effected chiefly by the sale of redeemable annuities. See Rae, *Life of Adam Smith*, 1895, pp. 253-255; David Macpherson, *Annals of Commerce*, vol. iii., pp. 525, 553; *House of Commons' Journals*, vol. xxxiv., pp. 493-495, and the Act of Parliament, 14 Geo. III., c. 21. The East India Company opposed the bill on the ground that the bonds to be issued would compete with theirs, but their opposition was defeated by a vote of 176 to 36 in the House of Commons, *Journals*, vol. xxxiv., p. 601.]

but soon got into difficulties,

---

[1] [Ed. 1 does not contain 'those'.]

[2] [Macpherson, *op. cit.*, p. 525, says the partners were the Dukes of Buccleuch and Queensberry, the Earl of Dumfries, Mr. Douglas and many other gentlemen.]

and was obliged to stop in two years.

more than two years. When it was obliged to stop, it had in the circulation about two hundred thousand pounds in bank notes. In order to support the circulation of those notes, which were continually returning upon it as fast as they were issued, it had been constantly in the practice of drawing bills of exchange upon London, of which the number and value were continually increasing, and, when it stopt, amounted to upwards of six hundred thousand pounds. This bank, therefore, had, in little more than the course of two years, advanced to different people upwards of eight hundred thousand pounds at five per cent. Upon the two hundred thousand pounds which it circulated in bank notes, this five per cent. might, perhaps, be considered as clear gain, without any other deduction besides the expence of management. But upon upwards of six hundred thousand pounds, for which it was continually drawing bills of exchange upon London, it was paying, in the way of interest and commission, upwards of eight per cent., and was consequently losing more than three per cent. upon more than three-fourths of all its dealings.

Its action and failure increased the distress of projectors and the country generally,

The operations of this bank seem to have produced effects quite opposite to those which were intended by the particular persons who planned and directed it. They seem to have intended to support the spirited undertakings, for as such they considered them, which were at that time carrying on in different parts of the country; and at the same time, by drawing the whole banking business to themselves, to supplant all the other Scotch banks; particularly those established at Edinburgh, whose backwardness in discounting bills of exchange had given some offence. This bank, no doubt, gave some temporary relief to those projectors, and enabled them to carry on their projects for about two years longer than they could otherwise have done. But it thereby only enabled them to get so much deeper into debt, so that when ruin came, it fell so much the heavier both upon them and upon their creditors. The operations of this bank, therefore, instead of relieving, in reality aggravated in the long-run the distress which those projectors had brought both upon themselves and upon their country. It would have been much better for themselves, their creditors and their country, had the greater part of them been obliged to stop two years sooner than they actually did. The temporary relief, however, which this bank afforded to those projectors, proved a real and permanent relief to the other Scotch banks. All the dealers in circulating bills of exchange, which those other banks had become so backward in discounting, had recourse to this new bank, where they were received with open arms. Those other banks, therefore, were enabled to get

but relieved the other Scotch banks.

very easily out of that fatal circle, from which they could not otherwise have disengaged themselves without incurring a considerable loss, and perhaps too even some degree of discredit.

In the long-run, therefore, the operations of this bank increased the real distress of the country which it meant to relieve; and effectually relieved from a very great distress those rivals whom it meant to supplant.

Another plan would have been to raise money on the securities pledged by borrowers:

At the first setting out of this bank, it was the opinion of some people, that how fast soever its coffers might be emptied, it might easily replenish them by raising money upon the securities of those to whom it had advanced its paper. Experience, I believe, soon convinced them that this method of raising money was by much too slow to answer their purpose; and that coffers which originally were so ill filled, and which emptied themselves so very fast, could be replenished by no other expedient but the ruinous one of drawing bills upon London, and when they became due, paying them by other draughts upon the same place with accumulated interest and commission. But though they had been able by this method to raise money as fast as they wanted it; yet, instead of making a profit, they must have suffered a loss by every such operation; so that in the long-run they must have ruined themselves as a mercantile company, though, perhaps, not so soon as by the more expensive practice of drawing and re-drawing. They could still have made nothing by the interest of the paper, which, being over and above what the circulation of the country could absorb and employ, returned upon them, in order to be exchanged for gold and silver, as fast as they issued it; and for the payment of which they were themselves continually obliged to borrow money. On the contrary, the whole expence of this borrowing, of employing agents to look out for people who had money to lend, of negociating with those people, and of drawing the proper bond or assignment, must have fallen upon them, and have been so much clear loss upon the balance of their accounts. The project of replenishing their coffers in this manner may be compared to that of a man who had a water-pond from which a stream was continually running out, and into which no stream was continually running, but who proposed to keep it always equally full by employing a number of people to go continually with buckets to a well at some miles distance in order to bring water to replenish it.

this would have been a losing business,

and even if profitable would have been hurt-

But though this operation had proved, not only practicable, but profitable to the bank as a mercantile company; yet the country could have derived no benefit from it; but, on the contrary, must have ful to the country.

suffered a very considerable loss by it. This operation could not augment in the smallest degree the quantity of money to be lent. It could only have erected this bank into a sort of general loan office for the whole country. Those who wanted to borrow, must have applied to this bank, instead of applying to the private persons who had lent it their money. But a bank which lends money, perhaps, to five hundred different people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors, than a private person who lends out his money among a few people whom he knows, and in whose sober and frugal conduct he thinks he has good reason to confide. The debtors of such a bank, as that whose conduct I have been giving some account of, were likely, the greater part of them, to be chimerical projectors, the drawers and re-drawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the assistance that could be given them, they would probably never be able to complete, and which, if they should be completed, would never repay the expence which they had really cost, would never afford a fund capable of maintaining a quantity of labour equal to that which had been employed about them. The sober and frugal debtors of private persons, on the contrary, would be more likely to employ the money borrowed in sober undertakings which were proportioned to their capitals, and which, though they might have less of the grand and the marvellous, would have more of the solid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labour than that which had been employed about them. The success of this operation, therefore, without increasing in the smallest degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

Law's scheme has been sufficiently explained by Du Verney and Du Tot.

That the industry of Scotland languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which he seems to have imagined might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland, when he first proposed his project, did not think proper to adopt it.[1] It was afterwards adopted, with some variations, by the duke of Orleans, at that time regent of France. The idea of the possibility of multiplying paper money to almost any extent, was the real foundation of what is called the Mississippi scheme, the most extravagant project both of banking and stock-jobbing that, perhaps, the world ever saw. The different operations of this scheme are explained so fully, so clearly, and with so much order and distinctness, by Mr. Du Verney, in his Examination of the Political Reflections upon Commerce and Finances of Mr. Du Tot,[1] that I shall not give any account of them.[2] The principles upon which it was founded are explained by Mr. Law himself, in a discourse concerning money and trade, which he published in Scotland when he first proposed his project.[3] The splendid, but visionary ideas which are set forth in that and some other works upon the same principles, still continue to make an impression upon many people, and have, perhaps, in part, contributed to that excess of banking, which has of late been complained of both in Scotland and in other places.

---

[1] [*Lectures*, p. 211. The bookseller's preface to the 2nd ed. of *Money and Trade* (below, p. 301, note 3) says the work consists of 'some heads of a scheme which Mr. Law proposed to the Parliament of Scotland in the year 1705'.]

The bank of England was established in 1694,

The bank of England is the greatest bank of circulation in Europe. It was incorporated, in pursuance of an act of parliament, by a charter under the great seal, dated the 27th of July, 1694. It at that time advanced to government the sum of one million two hundred thousand pounds, for an annuity of one hundred thousand pounds: or for 96,000 *l.* a year interest, at the rate of eight per cent., and 4,000 *l.* a year for the expence of management. The credit of the new government, established by the Revolution, we may believe, must have been very low, when it was obliged to borrow at so high an interest.

enlarged its stock in 1697

In 1697 the bank was allowed to enlarge its capital stock by an ingraftment of 1,001,171 *l.* 10 *s.* Its whole capital stock, therefore, amounted at this time to 2,201,171 *l.* 10 *s.* This engraftment is said to have been for the support of public credit. In 1696, tallies had been at forty, and fifty, and sixty per cent. discount, and bank notes at twenty per cent.[4] During the great recoinage of the silver, which was going on at this time, the bank had thought proper to discontinue the payment of its notes, which necessarily occasioned their discredit.

---

[1] [These two books are in Bonar, *Catalogue of Adam Smith's Library*, pp. 35, 36. Du Tot's is *Réflexions politiques sur les Finances et le Commerce, où l'on examine quelles ont été sur les revenus, les denrées, le change étranger et conséquemment sur notre commerce, les influences des augmentations et des diminutions des valeurs numéraires des monnoyes*, La Haye, 1754. Du Verney's is *Examen du livre intitulé* '*Réflexions politiques sur les Finances et le Commerce*,' La Haye, 1740.]

[2] [In *Lectures* there is an account, apparently derived from Du Verney, which extends over eight pages, 211-218.]

[3] [*Money and Trade Considered, with a Proposal for Supplying the Nation with Money*, 1705.]

[4] James Postlethwaite's History of the Public Revenue, page 301. [*History of the Public Revenue from* 1688 *to* 1753, *with an Appendix to* 1758, by James Postlethwayt, F.R.S., 1759; see also below, vol. ii., p. 397.]

in 1708,

In pursuance of the 7th Anne, c. vii. the bank advanced and paid into the exchequer, the sum of 400,000 *l.*; making in all the sum of 1,600,000 *l.* which it had advanced upon its original annuity of 96,000 *l.* interest and 4,000 *l.* for expence of management. In 1708, therefore, the credit of government was as good as that of private persons, since it could borrow at six per cent. interest, the common legal and market rate of those times. In pursuance of the same act, the bank cancelled exchequer bills to the amount of 1,775,027 *l.* 17 *s.* 10½ *d.* at six per cent. interest, and was at the same time allowed to take in subscriptions for doubling its capital. In 1708, therefore, the capital of the bank amounted to 4,402,343 *l.*; and it had advanced to government the sum of 3,375,027 *l.* 17*s.* 10½ *d.*

in 1709 and 1710,

By a call of fifteen per cent. in 1709, there was paid in and made stock 656,204 *l.* 1 *s.* 9 d.; and by another of ten per cent. in 1710, 501,448 *l.* 12 *s.* 11 *d.* In consequence of those two calls, therefore, the bank capital amounted to 5,559,995 *l.* 14 *s.* 8 *d.*

in 1717, and later.

In pursuance of the 3d George I. c. 8. the bank delivered up two millions of exchequer bills to be cancelled. It had at this time, therefore, advanced to government 5,375,027 *l.* 17 *s.* 10 *d.*[1] In pursuance of the 8th George I. c. 21. the bank purchased of the South Sea Company, stock to the amount of 4,000,000 *l.*: and in 1722, in consequence of the subscriptions which it had taken in for enabling it to make this purchase, its capital stock was increased by 3,400,000 *l.* At this time, therefore, the bank had advanced to the public 9,375,027 *l.* 17 *s.* 10½*d.*; and its capital stock amounted only to 8,959,995 *l.* 14 *s.* 8 *d.* It was upon this occasion that the sum which the bank had advanced to the public, and for which it received interest, began first to exceed its capital stock, or the sum for which it paid a dividend to the proprietors of bank stock; or, in other words, that the bank began to have an undivided capital, over and above its divided one. It has continued to have an undivided capital of the same kind ever since. In 1746, the bank had, upon different occasions, advanced to the public 11,686,800 *l.* and its divided capital had been raised by different calls and subscriptions to 10,780,000 *l.*[2] The state of those two sums has continued to be the same ever since. In pursuance of the 4th of George III. c. 25. the bank agreed to pay to government for the renewal of its charter 110,000 *l.* without interest or repayment. This sum, therefore, did not increase either of those two other sums.

---

[1] [These three lines are not in ed. 1.]

[2] [From 'it was incorporated,' on p. 301, to this point is an abstract of the 'Historical State of the Bank of England,' in Postlethwayt's *History of the Public Revenue*, pp. 301-310. The totals are taken from the bottom of Postlethwayt's pages.]

The dividend of the bank has varied according to the variations in the rate of the interest which it has, at different times, received for the money it had advanced to the public, as well as according to other circumstances. This rate of interest has gradually been reduced from eight to three per cent. For some years past the bank dividend has been at five and a half per cent.

The rate of interest received by it from the public has been reduced from 8 to 3 per cent. and its dividend has lately been 5½ per cent.

The stability of the bank of England is equal to that of the British government. All that it has advanced to the public must be lost before its creditors can sustain any loss. No other banking company in England can be established by act of parliament, or can consist of more than six members. It acts, not only as an ordinary bank, but as a great engine of state. It receives and pays the greater part of the annuities which are due to the creditors of the public, it circulates exchequer bills, and it advances to government the annual amount of the land and malt taxes, which are frequently not paid up till some years thereafter. In those different operations, its duty to the public may sometimes have obliged it, without any fault of its directors, to overstock the circulation with paper money. It likewise discounts merchants bills, and has, upon several different occasions, supported the credit of the principal houses, not only of England, but of Hamburgh and Holland. Upon one occasion, in 1763, it is said to have advanced for this purpose, in one week, about 1,600,000 *l.*; a great part of it in bullion. I do not, however, pretend to warrant either the greatness of the sum, or the shortness of the time. Upon other occasions, this great company has been reduced to the necessity of paying in sixpences.[1]

It acts as a great engine of state.

It is not by augmenting the capital of the country, but by rendering a greater part of that capital active and productive than would otherwise be so, that the most judicious operations of banking can increase the industry of the country. That part of his capital which a dealer is obliged to keep by him unemployed, and in ready money for answering occasional demands, is so much dead stock, which, so long as it remains in this situation, produces nothing either to him or to his country. The judicious operations of banking enable him to convert this dead stock into active and productive stock; into materials to work upon, into tools to work with, and into provisions and subsistence to work for; into stock which produces something both to himself[2] and to his country. The gold and silver money which circulates in any

The operations of banking turn dead stock into productive capital, country, and by means of which the produce of its land and labour is annually circulated and distributed to the proper consumers, is, in the same manner as the ready money of the dealer, all dead stock. It is a very valuable part of the capital of the country, which produces nothing to the country. The judicious operations of banking, by substituting paper in the room of a great part of this gold and silver, enables the country to convert a great part of this dead stock into active and productive stock; into stock which produces something to the country. The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either. The judicious operations of banking, by providing, if I may be allowed so violent a metaphor, a sort of waggon-way through the air; enable the country to convert, as it were, a great part of its highways into good pastures and corn-fields, and thereby to increase very considerably the annual produce of its land and labour. The commerce and industry of the country, however, it must be acknowledged, though they may be somewhat augmented, cannot be altogether so secure, when they are thus, as it were, suspended upon the Dædalian wings of paper money, as when they travel about upon the solid ground of gold and silver. Over and above the accidents to which they are exposed from the unskilfulness of the conductors of this paper money, they are liable to several others, from which no prudence or skill of those conductors can guard them.

---

[1] [In 1745. Magens, *Universal Merchant*, p. 31, suggests that there may have been suspicions that the money was being drawn out for the support of the rebellion.]

[2] [Eds. 1 and 2 read 'him'.]

but make commerce and industry somewhat less secure.

Precautions should be taken to prevent the greater part of the circulation being filled with paper.

An unsuccessful war, for example, in which the enemy got possession of the capital, and consequently of that treasure which supported the credit of the paper money, would occasion a much greater confusion in a country where the whole circulation was carried on by paper, than in one where the greater part of it was carried on by gold and silver. The usual instrument of commerce having lost its value, no exchanges could be made but either by barter or upon credit. All taxes having been usually paid in paper money, the prince would not have wherewithal either to pay his troops, or to furnish his magazines; and the state of the country would be much more irretrievable than if the greater part of its circulation had consisted in gold and silver. A prince, anxious to maintain his dominions at all times in the state in which he can most easily defend them, ought, upon this account, to guard, not only against that excessive multiplication of paper money which ruins the very banks which issue it; but even against that multiplication of it, which enables them to fill the greater part of the circulation of the country with it.

Circulation may be divided into that between dealers and that between dealers and consumers.

The circulation of every country may be considered as divided into two different branches; the circulation of the dealers with one another, and the circulation between the dealers and the consumers. Though the same pieces of money, whether paper or metal, may be employed sometimes in the one circulation and sometimes in the other; yet as both are constantly going on at the same time, each requires a certain stock of money of one kind or another, to carry it on. The value of the goods circulated between the different dealers, never can exceed the value of those circulated between the dealers and the consumers; whatever is bought by the dealers, being ultimately destined to be sold to the consumers. The circulation between the dealers, as it is carried on by wholesale, requires generally a pretty large sum for every particular transaction. That between the dealers and the consumers, on the contrary, as it is generally carried on by retail, frequently requires but very small ones, a shilling, or even a halfpenny, being often sufficient. But small sums circulate much faster than large ones. A shilling changes masters more frequently than a guinea, and a halfpenny more frequently than a shilling Though the annual purchases of all the consumers, therefore, are at least equal in value to those of all the dealers, they can generally be transacted with a much smaller quantity of money; the same pieces, by a more rapid circulation, serving as the instrument of many more purchases of the one kind than of the other.

The circulation of paper may be confined to the former by not allowing notes for small sums.

Paper money may be so regulated, as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and the consumers. Where no bank notes are circulated under ten pounds value, as in London,[1] paper money confines itself very much to the circulation between the dealers. When a ten pound bank note comes into the hands of a consumer, he is generally obliged to change it at the first shop where he has occasion to purchase five shillings worth of goods; so that it often returns into the hands of a dealer, before the consumer has spent the fortieth part of the money. Where bank notes are issued for so small sums as twenty shillings, as in Scotland, paper money extends itself to a considerable part of the circulation between dealers and consumers. Before the act of parliament, which put a stop to the circulation of ten and five shilling notes,[2] it filled a still greater part of that circulation. In the currencies of North America, paper was commonly issued for so small a sum as a shilling, and filled almost the whole of that circulation. In some paper currencies of Yorkshire, it was issued even for so small a sum as a sixpence.

---

[1] [The Bank of England issued none under £20 till 1759, when £15 and £10 notes were introduced.—Anderson, *Commerce*, A.D. 1759.]

[2] [5 Geo. III., c. 49.]

The issue of such notes enables mean people to become bankers.

Where the issuing of bank notes for such very small sums is allowed and commonly practised, many mean people are both enabled and encouraged to become bankers. A person whose promissory note for five pounds, or even for twenty shillings, would be rejected by every body, will get it to be received without scruple when it is issued for so small a sum as a sixpence. But the frequent bankruptcies to which such beggarly bankers must be liable, may occasion a very considerable inconveniency, and sometimes even a very great calamity, to many poor people who had received their notes in payment.

None for less than £5 should be issued.

It were better, perhaps, that no bank notes were issued in any part of the kingdom for a smaller sum than five pounds. Paper money would then, probably, confine itself, in every part of the kingdom, to the circulation between the different dealers, as much as it does at present in London, where no bank notes are issued under ten pounds value; five pounds being, in most parts of the kingdom, a sum which, though it will purchase, perhaps, little more than half the quantity of goods, is as much considered, and is as seldom spent all at once, as ten pounds are amidst the profuse expence of London.

This would secure the circulation of plenty of gold and silver,

Where paper money, it is to be observed, is pretty much confined to the circulation between dealers and dealers, as at London, there is always plenty of gold and silver. Where it extends itself to a considerable part of the circulation between dealers and consumers, as in Scotland, and still more in North America, it banishes gold and silver almost entirely from the country; almost all the ordinary transactions of its interior commerce being thus carried on by paper. The suppression of ten and five shilling bank notes, somewhat relieved the scarcity of gold and silver in Scotland; and the suppression of twenty shilling notes, would probably relieve it still more. Those metals are said to have become more abundant in America, since the suppression of some of their paper currencies. They are said, likewise, to have been more abundant before the institution of those currencies.

and would not prevent banks from giving sufficient assistance to traders.

Though paper money should be pretty much confined to the circulation between dealers and dealers, yet banks and bankers might still be able to give nearly the same assistance to the industry and commerce of the country, as they had done when paper money filled almost the whole circulation. The ready money which a dealer is obliged to keep by him, for answering occasional demands, is destined altogether for the circulation between himself and other dealers, of whom he buys goods. He has no occasion to keep any by him for the circulation between himself and the consumers, who are his customers, and who bring ready money to him, instead of taking any from him. Though no paper money, therefore, was allowed to be issued, but for such sums as would confine it pretty much to the circulation between dealers and dealers; yet, partly by discounting real bills of exchange, and partly by lending upon cash accounts, banks and bankers might still be able to relieve the greater part of those dealers from the necessity of keeping any considerable part of their stock by them, unemployed and in ready money, for answering occasional demands. They might still be able to give the utmost assistance which banks and bankers can, with propriety, give to traders of every kind.

A law against small notes would be a violation of natural liberty necessary for the security of the society.

To restrain private people, it may be said, from receiving in payment the promissory notes of a banker, for any sum whether great or small, when they themselves are willing to receive them; or, to restrain a banker from issuing such notes, when all his neighbours are willing to accept of them, is a manifest violation of that natural liberty which it is the proper business of law, not to infringe, but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments; of the most free, as well as of the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty, exactly of the same kind with the regulations of the banking trade which are here proposed.

Papermoney payable on demand is equal to gold and silver,

A paper money consisting in bank notes, issued by people of undoubted credit, payable upon demand without any condition, and in fact always readily paid as soon as presented, is, in every respect, equal in value to gold and silver money; since gold and silver money can at any time be had for it. Whatever is either bought or sold for such paper, must necessarily be bought or sold as cheap as it could have been for gold and silver.

and does not raise prices;

The increase of paper money, it has been said, by augmenting the quantity, and consequently diminishing the value of the whole currency, necessarily augments the money price of commodities. But as the quantity of gold and silver, which is taken from the currency, is always equal to the quantity of paper which is added to it, paper money does not necessarily increase the quantity of the whole currency. From the beginning of the last century to the present time, provisions never were cheaper in Scotland than in 1759, though, from the circulation of ten and five shilling bank notes, there was then more paper money in the country than at present. The proportion between the price of provisions in Scotland and that in England, is the same now as before the great multiplication of banking companies in Scotland. Corn is, upon most occasions, fully as cheap in England as in France; though there is a great deal of paper money in England, and scarce any in France. In 1751 and in 1752, when Mr. Hume published his Political Discourses,[1] and soon after the great multiplication of paper money in Scotland, there was a very sensible rise in the price of provisions, owing, probably, to the badness of the seasons, and not to the multiplication of paper money.

but paper not repayable on demand would fall below gold and silver,

It would be otherwise, indeed, with a paper money consisting in promissory notes, of which the immediate payment depended, in any respect, either upon the good will of those who issued them; or upon a condition which the holder of the notes might not always have it in his power to fulfil; or of which the payment was not exigible till after a certain number of years, and which in the mean time bore no interest. Such a paper money would, no doubt, fall more or less below the value of gold and silver, according as the difficulty or uncertainty of obtaining immediate payment was supposed to be greater or less; or according to the greater or less distance of time at which payment was exigible.

as happened in Scotland during the prevalence of the Optional Clause,

Some years ago the different banking companies of Scotland were in the practice of inserting into their bank notes, what they called an Optional Clause, by which they promised payment to the bearer, either as soon as the note should be presented, or, in the option of the directors, six months after such presentment, together with the legal interest for the said six months. The directors of some of those banks sometimes took advantage of this optional clause, and sometimes threatened those who demanded gold and silver in exchange for a considerable number of their notes, that they would take advantage of it, unless such demanders would content themselves with a part of what they demanded. The promissory notes of those banking companies constituted at that time the far greater part of the currency of Scotland, which this uncertainty of payment necessarily degraded below the value of gold and silver money. During the continuance of this abuse (which prevailed chiefly in 1762, 1763, and 1764), while the exchange between London and Carlisle was at par, that between London and Dumfries would sometimes be four per cent. against Dumfries, though this town is not thirty miles distant from Carlisle. But at Carlisle, bills were paid in gold and silver; whereas at Dumfries they were paid in Scotch bank notes, and the uncertainty of getting those bank notes exchanged for gold and silver coin had thus degraded them four per cent. below the value of that coin. The same act of parliament which suppressed ten and five shilling bank notes, suppressed likewise this optional clause,[1] and thereby restored the exchange between England and Scotland to its natural rate, or to what the course of trade and remittances might happen to make it.

---

[1] [The reference is probably to the passages in the 'Discourse of Money,' and the 'Discourse of the Balance of Trade,' where Hume censures paper money as the cause of a rise of prices.—*Political Discourses*, 1752, pp. 43-45, 89-91; cp. *Lectures*, p. 197.]

and must have happened in regard to the Yorkshire currencies when small sums were repayable in guineas.

In the paper currencies of Yorkshire, the payment of so small a sum as a sixpence sometimes depended upon the condition that the holder of the note should bring the change of a guinea to the person who issued it; a condition, which the holders of such notes might frequently find it very difficult to fulfil, and which must have degraded this currency below the value of gold and silver money. An act of parliament, accordingly, declared all such clauses unlawful, and suppressed, in the same manner as in Scotland, all promissory notes, payable to the bearer, under twenty shillings value.[2]

The North American paper currencies consisted of government notes repayable at a distant date.

The paper currencies of North America consisted, not in bank notes payable to the bearer on demand, but in a government paper, of which the payment was not exigible till several years after it was issued: And though the colony governments paid no interest to the holders of this paper, they declared it to be, and in fact rendered it, a legal tender of payment for the full value for which it was issued. But allowing the colony security to be perfectly good, a hundred pounds payable fifteen years hence, for example, in a country where interest is at six per cent. is worth little more than forty pounds ready money. To oblige a creditor, therefore, to accept of this as full payment for a debt of a hundred pounds actually paid down in ready money, was an act of such violent injustice, as has scarce, perhaps, been attempted by the government of any other country which pretended to be free. It bears the evident marks of having originally been, what the honest and downright Doctor Douglas assures us it was, a scheme of fraudulent debtors to cheat their creditors.[3] The government of Pensylvania, indeed, pretended, upon their first emission of paper money, in 1722, to render their paper of equal value with gold and silver, by enacting penalties against all those who made any difference in the price of their goods when they sold them for a colony paper, and when they sold them for gold and silver; a regulation equally tyrannical, but much less effectual than that which it was meant to support. A positive law may render a shilling a legal tender for a guinea; because it may direct the courts of justice to discharge the debtor who has made that tender. But no positive law can oblige a person who sells goods, and who is at liberty to sell or not to sell, as he pleases, to accept of a shilling as equivalent to a guinea in the price of them. Notwithstanding any regulation of this kind, it appeared by the course of exchange with Great Britain, that a hundred pounds sterling was occasionally considered as equivalent, in some of the colonies, to a hundred and thirty pounds, and in others to so great a sum as eleven hundred pounds currency; this difference in the value arising from the difference in the quantity of paper emitted in the different colonies, and in the distance and probability of the term of its final discharge and redemption.

---

[1] [5 Geo. III., c. 49; referred to above, p. 305.]

[2] [15 Geo. III., c. 51.]

[3] ['A knavish device of fraudulent debtors of the loan money to pay off their loans at a very depreciated value.' William Douglass, M.D., *Summary, Historical and Political, of the First Planting, Progressive Improvements, and Present State of the British Settlements in North America*, 1760, vol. ii., p. 107. The author uses strong language in many places about what he calls 'this accursed affair of plantation paper currencies,' vol. ii., p. 13, note (*s*); cp. vol. i., pp. 310, 359; vol. ii., pp. 254-255, 334-335.]

and depreciated the currency to a great degree.

They were therefore justly prohibited.

No law, therefore, could be more equitable than the act of parliament, so unjustly complained of in the colonies, which declared that no paper currency to be emitted there in time coming, should be a legal tender of payment.[1]

Pennsylvania was moderate in its issues, and its currency never went below the real par.

Pensylvania was always more moderate in its emissions of paper money than any other of our colonies. Its paper currency accordingly is said never to have sunk below the value of the gold and silver which was current in the colony before the first emission of its paper money. Before that emission, the colony had raised the denomination of its coin, and had, by act of assembly, ordered five shillings sterling to pass in the colony for six and three-pence, and afterwards for six and eight-pence. A pound colony currency, therefore, even when that currency was gold and silver, was more than thirty per cent. below the value of a pound sterling, and when that currency was turned into paper, it was seldom much more than thirty per cent. below that value. The pretence for raising the denomination of the coin, was to prevent the exportation of gold and silver, by making equal quantities of those metals pass for greater sums in the colony than they did in the mother country. It was found, however, that the price of all goods from the mother country rose exactly in proportion as they raised the denomination of their coin, so that their gold and silver were exported as fast as ever.

The colonial paper was somewhat

The paper of each colony being received in the payment of the provincial taxes, for the full value for which it had been issued, it supported by being received in payment of taxes.

---

[1] [4 Geo. III., c. 34.]

necessarily derived from this use some additional value, over and above what it would have had, from the real or supposed distance of the term of its final discharge and redemption. This additional value was greater or less, according as the quantity of paper issued was more or less above what could be employed in the payment of the taxes of the particular colony which issued it. It was in all the colonies very much above what could be employed in this manner.

A requirement that certain taxes should be paid in particular paper money might give that paper a certain value even if it was irredeemable.

A prince, who should enact that a certain proportion of his taxes should be paid in a paper money of a certain kind, might thereby give a certain value to this paper money; even though the term of its final discharge and redemption should depend altogether upon the will of the prince. If the bank which issued this paper was careful to keep the quantity of it always somewhat below what could easily be employed in this manner, the demand for it might be such as to make it even bear a premium, or sell for somewhat more in the market than the quantity of gold or silver currency for which it was issued. Some people account in this manner for what is called the Agio of the bank of Amsterdam, or for the superiority of bank money over current money; though this bank money, as they pretend, cannot be taken out of the bank at the will of the owner. The greater part of foreign bills of exchange must be paid in bank money, that is, by a transfer in the books of the bank; and the directors of the bank, they allege, are careful to keep the whole quantity of bank money always below what this use occasions a demand for. It is upon this account, they say, that bank money sells for a premium, or bears an agio of four or five per cent. above the same nominal sum of the gold and silver currency of the country. This account of the bank of Amsterdam, however, it will appear hereafter,[1] is in a great measure chimerical.[2]

A paper currency depreciated below the value of the coin does not sink the value of gold and silver.

A paper currency which falls below the value of gold and silver coin, does not thereby sink the value of those metals, or occasion equal quantities of them[3] to exchange for a smaller quantity of goods of any other kind. The proportion between the value of gold and silver and that of goods of any other kind, depends in all cases, not upon the nature or quantity of any particular paper money, which may be current in any particular country, but upon the richness or poverty of the mines, which happen at any particular time to supply the great market of the commercial world with those metals. It depends upon the proportion between the quantity of labour which is necessary in order to bring a certain quantity of gold and silver to market, and that which is necessary in order to bring thither a certain quantity of any other sort of goods.

---

[1] [Below, pp. 443-452. See also the 'Advertisement' or preface to the 4th ed., above.]

[2] [Ed. 1 reads 'This account of the Bank of Amsterdam, however, I have reason to believe, is altogether chimerical.']

[3] [Ed. 1 reads 'sink the value of gold and silver, or occasion equal quantities of those metals'.]

The only restrictions on banking which are necessary are the prohibition of small bank notes and the requirement that all notes shall be repaid on demand.

If bankers are restrained from issuing any circulating bank notes, or notes payable to the bearer, for less than a certain sum; and if they are subjected to the obligation of an immediate and unconditional payment of such bank notes as soon as presented, their trade may, with safety to the public, be rendered in all other respects perfectly free. The late multiplication of banking companies in both parts of the united kingdom, an event by which many people have been much alarmed, instead of diminishing, increases the security of the public. It obliges all of them to be more circumspect in their conduct, and, by not extending their currency beyond its due proportion to their cash, to guard themselves against those malicious runs, which the rivalship of so many competitors is always ready to bring upon them. It restrains the circulation of each particular company within a narrower circle, and reduces their circulating notes to a smaller number. By dividing the whole circulation into a greater number of parts, the failure of any one company, an accident which, in the course of things, must sometimes happen, becomes of less consequence to the public. This free competition too obliges all bankers to be more liberal in their dealings with their customers, lest their rivals should carry them away. In general, if any branch of trade, or any division of labour, be advantageous to the public, the freer and more general the competition, it will always be the more so.

CHAPTER III

OF THE ACCUMULATION OF CAPITAL, OR OF PRODUCTIVE AND UNPRODUCTIVE LABOUR

There are two sorts of labour, productive and unproductive.

THERE is one sort of labour which adds to the value of the subject upon which it is bestowed: there is another which has no such effect. The former, as it produces a value, may be called productive; the latter, unproductive[1] labour. Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expence, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers: he grows poor, by maintaining a multitude of menial servants.[2] The labour of the latter, however, has its value, and deserves its reward as well as that of the former. But the labour of the manufacturer fixes and realizes itself in some particular subject or vendible commodity, which lasts for some time at least after that labour is past. It is, as it were, a certain quantity of labour stocked and stored up to be employed, if necessary, upon some other occasion. That subject, or what is the same thing, the price of that subject, can afterwards, if necessary, put into motion a quantity of labour equal to that which had originally produced it. The labour of the menial servant, on the contrary, does not fix or realize itself in any particular subject or vendible commodity. His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them, for which an equal quantity of service could afterwards be procured.

---

[1] Some French authors of great learning and ingenuity have used those words in a different sense. In the last chapter of the fourth book I shall endeavour to show that their sense is an improper one.

[2] [In the argument which follows in the text the fact is overlooked that this is only true when the manufacturers are employed to produce commodities for sale and when the menial servants are employed merely for the comfort of the employer. A man may and often does grow poor by employing people to make 'particular subjects or vendible commodities' for his own consumption, and an innkeeper may and often does grow rich by employing menial servants.]

Many kinds of labour besides menial service are unproductive.

The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject, or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured. The sovereign, for example, with all the officers both of justice and war who serve under him, the whole army and navy, are unproductive labourers. They are the servants of the public, and are maintained by a part of the annual produce of the industry of other people. Their service, how honourable, how useful,[1] or how necessary soever, produces nothing for which an equal quantity of service can afterwards be procured. The protection, security, and defence of the commonwealth, the effect of their labour this year, will not purchase its protection, security, and defence for the year to come. In the same class must be ranked, some both of the gravest and most important, and some of the most frivolous professions: churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful, produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production.

The proportion of the produce employed in maintaining productive hands determines the next year's produce.

Both productive and unproductive labourers, and those who do not labour at all, are all equally maintained by the annual produce of the land and labour of the country. This produce, how great soever, can never be infinite, but must have certain limits. According, therefore, as a smaller or greater proportion of it is in any one year employed in maintaining unproductive hands, the more in the one case and the less in the other will remain for the productive, and the next year's produce will be greater or smaller accordingly; the whole annual produce, if we except the spontaneous productions of the earth, being the effect of productive labour.

---

[1] [But in the 'Introduction and Plan of the Work, vol. i., p. 2, 'useful' is coupled with productive,' and used as equivalent to it.]

Part of the produce replaces capital, part constitutes profit and rent.

Though the whole annual produce of the land and labour of every country, is, no doubt, ultimately destined for supplying the consumption of its inhabitants, and for procuring a revenue to them ; yet when it first comes either from the ground, or from the hands of the productive labourers, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for replacing a capital, or for renewing the provisions, materials, and finished work, which had been withdrawn from a capital ; the other for constituting a revenue either to the owner of this capital, as the profit of his stock ; or to some other person, as the rent of his land. Thus, of the produce of land, one part replaces the capital of the farmer ; the other pays his profit and the rent of the landlord ; and thus constitutes a revenue both to the owner of this capital, as the profits of his stock ; and to some other person, as the rent of his land. Of the produce of a great manufactory, in the same manner, one part, and that always the largest, replaces the capital of the undertaker of the work ; the other pays his profit, and thus constitutes a revenue to the owner of this capital.[1]

That which replaces capital employs none but productive hands,

That part of the annual produce of the land and labour of any country which replaces a capital, never is immediately employed to maintain any but productive hands. It pays the wages of productive labour only. That which is immediately destined for constituting a revenue either as profit or as rent, may maintain indifferently either productive or unproductive hands.

Whatever part of his stock a man employs as a capital, he always expects is to be replaced to him with a profit. He employs it, therefore, in maintaining productive hands only ; and after having served in the function of a capital to him, it constitutes a revenue to them. Whenever he employs any part of it in maintaining unproductive hands of any kind, that part is, from that moment, withdrawn from his capital, and placed in his stock reserved for immediate consumption.

while unproductive hands and those who do not labour are supported by revenue.

Unproductive labourers, and those who do not labour at all, are all maintained by revenue ; either, first, by that part of the annual produce which is originally destined for constituting a revenue to some particular persons, either as the rent of land or as the profits of stock ; or, secondly, by that part which, though originally destined for replacing a capital and for maintaining productive labourers only, yet when it comes into their hands, whatever part of it is over and above their necessary subsistence, may be employed in maintaining indifferently either productive or unproductive hands. Thus, not only the great landlord or the rich merchant, but even the common workman, if his wages are considerable, may maintain a menial servant; or he may sometimes go to a play or a puppet-show, and so contribute his share towards maintaining one set of unproductive labourers; or he may pay some taxes, and thus help to maintain another set, more honourable and useful, indeed, but equally unproductive. No part of the annual produce, however, which had been originally destined to replace a capital, is ever directed towards maintaining unproductive hands, till after it has put into motion its full complement of productive labour, or all that it could put into motion in the way in which it was employed. The workman must have earned his wages by work done, before he can employ any part of them in this manner. That part too is generally but a small one. It is his spare revenue only, of which productive labourers have seldom a great deal. They generally have some, however; and in the payment of taxes the greatness of their number may compensate, in some measure, the smallness of their contribution. The rent of land and the profits of stock are every-where, therefore, the principal sources from which unproductive hands derive their subsistence. These are the two sorts of revenue of which the owners have generally most to spare. They might both maintain indifferently either productive or unproductive hands. They seem, however, to have some predilection for the latter. The expence of a great lord feeds generally more idle than industrious people. The rich merchant, though with his capital he maintains industrious people only, yet by his expence, that is, by the employment of his revenue, he feeds commonly the very same sort as the great lord.

---

[1] [It must be observed that in this paragraph produce is not used in the ordinary economic sense of income or net produce, but as including all products, *e.g.*, the oil used in weaving machinery as well as the cloth.]

So the proportion of productive hands depends on the proportion between profit with rent and the part of produce which replaces capital.

The proportion, therefore, between the productive and unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent, or as profit. This proportion is very different in rich from what it is in poor countries.

Rent anciently formed a larger proportion of the produce of agriculture than now.

Thus, at present, in the opulent countries of Europe, a very large, frequently the largest portion of the produce of the land, is destined for replacing the capital of the rich and independent farmer; the other for paying his profits, and the rent of the landlord. But anciently, during the prevalency of the feudal government, a very small portion of the produce was sufficient to replace the capital employed in cultivation. It consisted commonly in a few wretched cattle, maintained altogether by the spontaneous produce of uncultivated land, and which might, therefore, be considered as a part of that spontaneous produce. It generally too belonged to the landlord, and was by him advanced to the occupiers of the land. All the rest of the produce properly belonged to him too, either as rent for his land, or as profit upon this paultry capital. The occupiers of land were generally bondmen, whose persons and effects were equally his property. Those who were not bondmen were tenants at will, and though the rent which they paid was often nominally little more than a quit-rent, it really amounted to the whole produce of the land. Their lord could at all times command their labour in peace, and their service in war. Though they lived at a distance from his house, they were equally dependent upon him as his retainers who lived in it. But the whole produce of the land undoubtedly belongs to him, who can dispose of the labour and service of all those whom it maintains. In the present state of Europe, the share of the landlord seldom exceeds a third, sometimes not a fourth part of the whole produce of the land. The rent of land, however, in all the improved parts of the country, has been tripled and quadrupled since those ancient times; and this third or fourth part of the annual produce is, it seems, three or four times greater than the whole had been before. In the progress of improvement, rent, though it increases in proportion to the extent, diminishes in proportion to the produce of the land.

Profits were anciently a larger share of the produce of manufactures,

In the opulent countries of Europe, great capitals are at present employed in trade and manufactures. In the ancient state, the little trade that was stirring, and the few homely and coarse manufactures that were carried on, required but very small capitals. These, however, must have yielded very large profits. The rate of interest was nowhere less than ten per cent. and their profits must have been sufficient to afford this great interest. At present the rate of interest, in the improved parts of Europe, is no-where higher than six per cent. and in some of the most improved it is so low as four, three, and two per cent. Though that part of the revenue of the inhabitants which is derived from the profits of stock is always much greater in rich than in poor countries, it is because the stock is much greater: in proportion to the stock the profits are generally much less.[1]

so the proportion of produce re-

That part of the annual produce, therefore, which, as soon as it comes either from the ground, or from the hands of the productive labourers, quired for replacing capital is greater than it was.

---

[1] [The question first propounded, whether profits form a larger proportion of the produce, is wholly lost sight of. With a stock larger in proportion to the produce, a lower rate of profit may give a larger proportion of the produce.]

is destined for replacing a capital, is not only much greater in rich than in poor countries, but bears a much greater proportion to that which is immediately destined for constituting a revenue either as rent or as profit. The funds destined for the maintenance of productive labour, are not only much greater in the former than in the latter, but bear a much greater proportion to those which, though they may be employed to maintain either productive or unproductive hands, have generally a predilection for the latter.

The proportion between the funds determines whether the inhabitants of the country shall be industrious or idle.

The proportion between those different funds necessarily determines in every country the general character of the inhabitants as to industry or idleness. We are more industrious than our forefathers; because in the present times the funds destined for the maintenance of industry, are much greater in proportion to those which are likely to be employed in the maintenance of idleness, than they were two or three centuries ago. Our ancestors were idle for want of a sufficient encouragement to industry. It is better, says the proverb, to play for nothing, than to work for nothing. In mercantile and manufacturing towns, where the inferior ranks of people are chiefly maintained by the employment of capital, they are in general industrious, sober, and thriving; as in many English, and in most Dutch towns. In those towns which are principally supported by the constant or occasional residence of a court, and in which the inferior ranks of people are chiefly maintained by the spending of revenue, they are in general idle, dissolute, and poor; as at Rome, Versailles, Compiegne, and Fontainbleau. If you except Rouen and Bourdeaux, there is little trade or industry in any of the parliament towns of France;[1] and the inferior ranks of people, being chiefly maintained by the expence of the members of the courts of justice, and of those who come to plead before them, are in general idle and poor. The great trade of Rouen and Bourdeaux seems to be altogether the effect of their situation. Rouen is necessarily the entrepôt of almost all the goods which are brought either from foreign countries, or from the maritime provinces of France, for the consumption of the great city of Paris. Bourdeaux is in the same manner the entrepôt of the wines which grow upon the banks of the Garonne, and of the rivers which run into it, one of the richest wine countries in the world, and which seems to produce the wine fittest for exportation, or best suited to the taste of foreign nations. Such advantageous situations necessarily attract a great capital by the great employment which they afford it; and the employment of this capital is the cause of the industry of those two cities. In the other parliament towns of France, very little more capital seems to be employed than what is necessary for supplying their own consumption; that is, little more than the smallest capital which can be employed in them. The same thing may be said of Paris, Madrid, and Vienna. Of those three cities, Paris is by far the most industrious: but Paris itself is the principal market of all the manufactures established at Paris, and its own consumption is the principal object of all the trade which it carries on. London, Lisbon, and Copenhagen, are, perhaps, the only three cities in Europe, which are both the constant residence of a court, and can at the same time be considered as trading cities, or as cities which trade not only for their own consumption, but for that of other cities and countries. The situation of all the three is extremely advantageous, and naturally fits them to be the entrepôts of a great part of the goods destined for the consumption of distant places. In a city where a great revenue is spent, to employ with advantage a capital for any other purpose than for supplying the consumption of that city, is probably more difficult than in one in which the inferior ranks of people have no other maintenance but what they derive from the employment of such a capital. The idleness of the greater part of the people who are maintained by the expence of revenue, corrupts, it is probable, the industry of those who ought to be maintained by the employment of capital, and renders it less advantageous to employ a capital there than in other places. There was little trade or industry in Edinburgh before the Union. When the Scotch parliament was no longer to be assembled in it, when it ceased to be the necessary residence of the principal nobility and gentry of Scotland, it became a city of some trade and industry. It still continues, however, to be the residence of the principal courts of justice in Scotland, of the boards of customs and excise, &c. A considerable revenue, therefore, still continues to be spent in it. In trade and industry it is much inferior to Glasgow, of which the inhabitants are chiefly maintained by the employment of capital.[1] The inhabitants of a large village, it has sometimes been observed, after having made considerable progress in manufactures, have become idle and poor, in consequence of a great lord's having taken up his residence in their neighbourhood.

---

[1] [*Viz.*, Paris, Toulouse, Grenoble, Bordeaux, Dijon, Rouen, Aix, Rennes, Pau, Metz, Besançon and Douai.—*Encyclopédie*, tom. xii., 1765, *s.v.* Parlement.]

Increase or diminution of the cap-

The proportion between capital and revenue, therefore, seems everywhere to regulate the proportion between industry and idleness.

---

[1] [In *Lectures*, pp. 154-156, the idleness of Edinburgh and such like places compared with Glasgow is attributed simply to the want of independence in the inhabitants. The introduction of revenue and capital is the fruit of study of the physiocratic doctrines.]

ital of a country co-sequently increases or diminishes its annual produce.

Wherever capital predominates, industry prevails: wherever revenue, idleness. Every increase or diminution of capital, therefore, naturally tends to increase or diminish the real quantity of industry, the number of productive hands, and consequently the exchangeable value of the annual produce of the land and labour of the country, the real wealth and revenue of all its inhabitants.

Capitals are increased by parsimony or saving.

Capitals are increased by parsimony, and diminished by prodigality and misconduct.

Whatever a person saves from his revenue he adds to his capital, and either employs it himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it to him for an interest, that is, for a share of the profits. As the capital of an individual can be increased only by what he saves from his annual revenue or his annual gains, so the capital of a society, which is the same with that of all the individuals who compose it, can be increased only in the same manner.

Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater.

Parsimony, by increasing the fund which is destined for the maintenance of productive hands, tends to increase the number of those hands whose labour adds to the value of the subject upon which it is bestowed. It tends therefore to increase the exchangeable value of the annual produce of the land and labour of the country. It puts into motion an additional quantity of industry, which gives an additional value to the annual produce.

What is saved is consumed by productive hands.

What is annually saved is as regularly consumed as what is annually spent, and nearly in the same time too;[1] but it is consumed by a different set of people. That portion of his revenue which a rich man annually spends, is in most cases consumed by idle guests, and menial servants, who leave nothing behind them in return for their consumption. That portion which he annually saves, as for the sake of the profit it is immediately employed as a capital, is consumed in the same manner, and nearly in the same time too, but by a different set of people, by labourers, manufacturers, and artificers, who re-produce with a profit the value of their annual consumption. His revenue, we shall suppose, is paid him in money. Had he spent the whole, the food, clothing, and lodging, which the whole could have purchased, would have been distributed among the former set of people. By saving a part of it, as that part is for the sake of the profit immediately employed as a capital either by himself or by some other person, the food, clothing, and lodging, which may be purchased with it, are necessarily reserved for the latter. The consumption is the same, but the consumers are different.

---

[1] [This paradox is arrived at through a confusion between the remuneration of the labourers who produce the additions to the capital and the additions themselves. What is really saved is the additions to the capital, and these are not consumed.]

The frugal man establishes a perpetual fund for the employment of productive hands.

By what a frugal man annually saves, he not only affords maintenance to an additional number of productive hands, for that or the ensuing year, but, like the founder of a public workhouse, he establishes as it were a perpetual fund for the maintenance of an equal number in all times to come. The perpetual allotment and destination of this fund, indeed, is not always guarded by any positive law, by any trust-right or deed of mortmain. It is always guarded, however, by a very powerful principle, the plain and evident interest of every individual to whom any share of it shall ever belong. No part of it can ever afterwards be employed to maintain any but productive hands, without an evident loss to the person who thus perverts it from its proper destination.

The prodigal perverts such funds to other uses.

The prodigal perverts it in this manner. By not confining his expence within his income, he encroaches upon his capital. Like him who perverts the revenues of some pious foundation to profane purposes, he pays the wages of idleness with those funds which the frugality of his forefathers had, as it were, consecrated to the maintenance of industry. By diminishing the funds destined for the employment of productive labour, he necessarily diminishes, so far as it[1] depends upon him, the quantity of that labour which adds a value to the subject upon which it is bestowed, and, consequently, the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants. If the prodigality of some was not compensated by the frugality of others, the conduct of every prodigal, by feeding the idle with the bread of the industrious, tends not only to beggar himself, but to impoverish his country.

Whether he spends on home or foreign commodities makes no difference.

Though the expence of the prodigal should be altogether in home-made, and no part of it in foreign commodities, its effect upon the productive funds of the society would still be the same. Every year there would still be a certain quantity of food and clothing, which ought to have maintained productive, employed in maintaining unproductive hands. Every year, therefore, there would still be some diminution in what would otherwise have been the value of the annual produce of the land and labour of the country.

---

[1] [Ed. 1 does not contain 'it'.]

If he had not spent there would have been just as much money in the country and the goods produced by productive hands as well.

This expence, it may be said indeed, not being in foreign goods, and not occasioning any exportation of gold and silver, the same quantity of money would remain in the country as before. But if the quantity of food and clothing, which were thus consumed by unproductive, had been distributed among productive hands, they would have re-produced, together with a profit, the full value of their consumption. The same quantity of money would in this case equally have remained in the country, and there would besides have been a reproduction of an equal value of consumable goods. There would have been two values instead of one.

Besides, when the annual produce diminishes, money will go abroad;

The same quantity of money, besides, cannot long remain in any country in which the value of the annual produce diminishes. The sole use of money is to circulate consumable goods. By means of it, provisions, materials, and finished work, are bought and sold, and distributed to their proper consumers. The quantity of money, therefore, which can be annually employed in any country, must be determined by the value of the consumable goods annually circulated within it. These must consist either in the immediate produce of the land and labour of the country itself, or in something which had been purchased with some part of that produce. Their value, therefore, must diminish as the value of that produce diminishes, and along with it the quantity of money which can be employed in circulating them. But the money which by this annual diminution of produce is annually thrown out of domestic circulation, will not be allowed to lie idle. The interest of whoever possesses it, requires that it should be employed. But having no employment at home, it will, in spite of all laws and prohibitions, be sent abroad, and employed in purchasing consumable goods which may be of some use at home. Its annual exportation will in this manner continue for some time to add something to the annual consumption of the country beyond the value of its own annual produce. What in the days of its prosperity had been saved from that annual produce, and employed in purchasing gold and silver, will contribute for some little time to support its consumption in adversity. The exportation of gold and silver is, in this case, not the cause, but the effect of its declension, and may even, for some little time, alleviate the misery of that declension.

and on the other hand money will come in when the annual produce increases.

The quantity of money, on the contrary, must in every country naturally increase as the value of the annual produce increases. The value of the consumable goods annually circulated within the society being greater, will require a greater quantity of money to circulate them. A part of the increased produce, therefore, will naturally be employed in purchasing, wherever it is to be had, the additional quantity of gold and silver necessary for circulating the rest. The increase of those metals will in this case be the effect, not the cause, of the public prosperity. Gold and silver are purchased every-where in the same manner. The food, clothing, and lodging, the revenue and maintenance of all those whose labour or stock is employed in bringing them from the mine to the market, is the price paid for them in Peru as well as in England. The country which has this price to pay, will never be long without the quantity of those metals which it has occasion for; and no country will ever long retain a quantity which it has no occasion for.

So even if the real wealth of a country consisted of its money, the prodigal would be a public enemy.

Whatever, therefore, we may imagine the real wealth and revenue of a country to consist in, whether in the value of the annual produce of its land and labour, as plain reason seems to dictate; or in the quantity of the precious metals which circulate within it, as vulgar prejudices suppose; in either view of the matter, every prodigal appears to be a public enemy, and every frugal man a public benefactor.

Injudicious employment of capital has the same effect as prodigality.

The effects of misconduct are often the same as those of prodigality. Every injudicious and unsuccessful project in agriculture, mines, fisheries, trade, or manufactures, tends in the same manner to diminish the funds destined for the maintenance of productive labour. In every such project, though the capital is consumed by productive hands only, yet, as by the injudicious manner in which they are employed, they do not reproduce the full value of their consumption, there must always be some diminution in what would otherwise have been the productive funds of the society.

Frugality and prudence predominate.

It can seldom happen, indeed, that the circumstances of a great nation can be much affected either by the prodigality or misconduct of individuals; the profusion or imprudence of some, being always more than compensated by the frugality and good conduct of others.

Prodigality is more intermittent than the desire to better our condition.

With regard to profusion, the principle which prompts to expence, is the passion for present enjoyment; which, though sometimes violent and very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save, is the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. In the whole interval which separates those two moments, there is scarce perhaps a single instant[1] in which any man is so perfectly and completely satisfied with his situation, as to be without any wish of alteration or improvement of any kind. An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune, is to save and accumulate some part of what they acquire, either regularly and annually, or upon some extraordinary occasions. Though the principle of expence, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions, yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly.

---

[1] [Misprinted 'instance' in ed. 5, and consequently in some modern editions.]

Imprudent undertakings are small in number compared to prudent ones.

With regard to misconduct, the number of prudent and successful undertakings is every-where much greater than that of injudicious and unsuccessful ones. After all our complaints of the frequency of bankruptcies, the unhappy men who fall into this misfortune make but a very small part of the whole number engaged in trade, and all other sorts of business; not much more perhaps than one in a thousand. Bankruptcy is perhaps the greatest and most humiliating calamity which can befal an innocent man. The greater part of men, therefore, are sufficiently careful to avoid it. Some, indeed, do not avoid it; as some do not avoid the gallows.

Public prodigality and imprudence are more to be feared than private,

Great nations are never impoverished[1] by private, though they sometimes are by public prodigality and misconduct. The whole, or almost the whole public revenue, is in most countries employed in maintaining unproductive hands. Such are the people who compose a numerous and splendid court, a great ecclesiastical establishment, great fleets and armies, who in time of peace produce nothing, and in time of war acquire nothing which can compensate the expence of maintaining them, even while the war lasts. Such people, as they themselves produce nothing, are all maintained by the produce of other men's labour. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year. The next year's produce, therefore, will be less than that of the foregoing, and if the same disorder should continue, that of the third year will be still less than that of the second. Those unproductive hands, who should be maintained by a part only of the spare revenue of the people, may consume so great a share of their whole revenue, and thereby oblige so great a number to encroach upon their capitals, upon the funds destined for the maintenance of productive labour, that all the frugality and good conduct of individuals may not be able to compensate the waste and degradation of produce occasioned by this violent and forced encroachment.

---

[1] ['Impoverished' is here equivalent to 'made poor,' *i.e.*, ruined, not merely to 'made poorer'.]

but are counteracted by private frugality and prudence.

This frugality and good conduct, however, is upon most occasions, it appears from experience, sufficient to compensate, not only the private prodigality and misconduct of individuals, but the public extravagance of government. The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration. Like the unknown principle of animal life, it frequently restores health and vigour to the constitution, in spite, not only of the disease, but of the absurd prescriptions of the doctor.

To increase the produce of a nation an increase of capital is necessary

The annual produce of the land and labour of any nation can be increased in its value by no other means, but by increasing either the number of its productive labourers, or the productive powers of those labourers who had before been employed. The number of its productive labourers, it is evident, can never be much increased, but in consequence of an increase of capital, or of the funds destined for maintaining them. The productive powers of the same number of labourers cannot be increased, but in consequence either of some addition and improvement to those machines and instruments which facilitate and abridge labour; or of a more proper division and distribution of employment. In either case an additional capital is almost always required. It is by means of an additional capital only, that the undertaker of any work can either provide his workmen with better machinery, or make a more proper distribution of employment among them. When the work to be done consists of a number of parts, to keep every man constantly employed in one way, requires a much greater capital than where every man is occasionally employed in every different part of the work. When we compare, therefore, the state of a nation at two different periods, and find, that the annual produce of its land and labour is evidently greater at the latter than at the former, that its lands are better cultivated, its manufactures more numerous and more flourishing, and its trade more extensive, we may be assured that its capital must have increased during the interval between those two periods, and that more must have been added to it by the good conduct of some, than had been taken from it either by the private

If, therefore the produce has increased, we may be sure the capital has increased.

misconduct of others, or by the public extravagance of government. But we shall find this to have been the case of almost all nations, in all tolerably quiet and peaceable times, even of those who have not enjoyed the most prudent and parsimonious governments. To form a right judgment of it, indeed, we must compare the state of the country at periods somewhat distant from one another. The progress is frequently so gradual, that, at near periods, the improvement is not only not sensible, but from the declension either of certain branches of industry, or of certain districts of the country, things which sometimes happen though the country in general be[1] in great prosperity, there frequently arises a suspicion, that the riches and industry of the whole are decaying.

This has been the case of almost all nations in peaceable times.

The annual produce of the land and labour of England, for example, is certainly much greater than it was, a little more than a century ago, at the restoration of Charles II. Though, at present, few people, I believe, doubt of this, yet during this period, five years have seldom passed away in which some book or pamphlet has not been published, written too with such abilities as to gain some authority with the public, and pretending to demonstrate that the wealth of the nation was fast declining, that the country was depopulated, agriculture neglected, manufactures decaying, and trade undone. Nor have these publications been all party pamphlets, the wretched offspring of falsehood and venality. Many of them have been written by very candid and very intelligent people; who wrote nothing but what they believed, and for no other reason but because they believed it.

England for example from 1660 to 1776,

The annual produce of the land and labour of England again, was certainly much greater at the restoration, than we can suppose it to have been about an hundred years before, at the accession of Elizabeth. At this period too, we have all reason to believe, the country was much more advanced in improvement, than it had been about a century before, towards the close of the dissensions between the houses of York and Lancaster. Even then it was, probably, in a better condition than it had been at the Norman conquest, and at the Norman conquest, than during the confusion of the Saxon Heptarchy. Even at this early period, it was certainly a more improved country than at the invasion of Julius Cæsar, when its inhabitants were nearly in the same state with the savages in North America.

or from 1558 to 1660,

In each of those periods, however, there was, not only much private and public profusion, many expensive and unnecessary wars, great perversion of the annual produce from maintaining productive to maintain unproductive hands; but sometimes, in the confusion of civil discord,

though there was much public and private profusion, and many other disorders and misfortunes occurred.

---

[1] [Ed. 1 reads 'is'.]

such absolute waste and destruction of stock, as might be supposed, not only to retard, as it certainly did, the natural accumulation of riches, but to have left the country, at the end of the period, poorer than at the beginning. Thus, in the happiest and most fortunate period of them all, that which has passed since the restoration, how many disorders and misfortunes have occurred, which, could they have been foreseen, not only the impoverishment, but the total ruin of the country would have been expected from them? The fire and the plague of London, the two Dutch wars, the disorders of the revolution, the war in Ireland, the four expensive French wars of 1688, 1702,[1] 1742, and 1756, together with the two rebellions of 1715 and 1745. In the course of the four French wars, the nation has contracted more than a hundred and forty-five millions of debt, over and above all the other extraordinary annual expence which they occasioned, so that the whole cannot be computed at less than two hundred millions. So great a share of the annual produce of the land and labour of the country, has, since the revolution, been employed upon different occasions, in maintaining an extraordinary number of unproductive hands. But had not those wars given this particular direction to so large a capital, the greater part of it would naturally have been employed in maintaining productive hands, whose labour would have replaced, with a profit, the whole value of their consumption. The value of the annual produce of the land and labour of the country, would have been considerably increased by it every year, and every year's increase would have augmented still more that of the following year.[2] More houses would have been built, more lands would have been improved, and those which had been improved before would have been better cultivated, more manufactures would have been established, and those which had been established before would have been more extended; and to what height the real wealth and revenue of the country might, by this time, have been raised, it is not perhaps very easy even to imagine.

Private frugality and prudence have silently counteracted these circumstances.

But though the profusion of government must, undoubtedly, have retarded the natural progress of England towards wealth and improvement, it has not been able to stop it. The annual produce of its land and labour is, undoubtedly, much greater at present than it was either at the restoration or at the revolution. The capital, therefore, annually employed in cultivating this land, and in maintaining this labour, must likewise be much greater. In the midst of all the exactions of government, this capital has been silently and gradually accumulated by the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition. It is this effort, protected by law and allowed by liberty to exert itself in the manner that is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times. England, however, as it has never been blessed with a very parsimonious government, so parsimony has at no time been the characteristical virtue of its inhabitants. It is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the œconomy of private people, and to restrain their expence, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expence, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will.

---

[1] [Ed. 1 reads '1701'.]

[2] [Ed. 1 reads 'the next year'.]

Apart from increase or diminution of capital different kinds of expense may be distinguished.

As frugality increases, and prodigality diminishes the public capital, so the conduct of those whose expence just equals their revenue, without either accumulating or encroaching, neither increases nor diminishes it. Some modes of expence, however, seem to contribute more to the growth of public opulence than others.

An individual who spends on durable commodities will be richer than one who spends on perishable ones.

The revenue of an individual may be spent, either in things which are consumed immediately, and in which one day's expence can neither alleviate nor support that of another; or it may be spent in things more durable, which can therefore be accumulated, and in which every day's expence may, as he chuses, either alleviate or support and heighten the effect of that of the following day. A man of fortune, for example, may either spend his revenue in a profuse and sumptuous table, and in maintaining a great number of menial servants, and a multitude of dogs and horses; or contenting himself with a frugal table and few attendants, he may lay out the greater part of it in adorning his house or his country villa, in useful or ornamental buildings, in useful or ornamental furniture, in collecting books, statues, pictures; or in things more frivolous, jewels, baubles, ingenious trinkets of different kinds; or, what is most trifling of all, in amassing a great wardrobe of fine clothes, like the favourite and minister of a great prince who died a few years ago.[1] Were two men of equal fortune to spend their revenue, the one chiefly in the one way, the other in the other, the magnificence of the person whose expence had been chiefly in durable commodities, would be continually increasing, every day's expence contributing something to support and heighten the effect of that of the following day: that of the other, on the contrary, would be no greater at the end of the period than at the beginning. The former too would, at the end of the period, be the richer man of the two. He would have a stock of goods of some kind or other, which, though it might not be worth all that it cost, would always be worth something. No trace or vestige of the expence of the latter would remain, and the effects of ten or twenty years profusion would be as completely annihilated as if they had never existed.

---

[1] [As suggested by Germain Garnier's note on this passage (*Recherches sur la Nature et les Causes de la Richesse des Nations*, 1802, tom. ii., p. 346), this was doubtless the Count of Bruhl, Minister and Great Chamberlain to the King of Poland, who left at his death 365 suits of clothes, all very rich. Jonas Hanway (*Historical Account of the British Trade over the Caspian Sea, with a Journal of Travels from London through Russia into Persia, and back through Russia, Germany and Holland*, 1753, vol. ii., p. 230) says this count

The same thing is true of a nation.

As the one mode of expence is more favourable than the other to the opulence of an individual, so is it likewise to that of a nation. The houses, the furniture, the clothing of the rich, in a little time, become useful to the inferior and middling ranks of people. They are able to purchase them when their superiors grow weary of them, and the general accommodation of the whole people is thus gradually improved, when this mode of expence becomes universal among men of fortune. In countries which have long been rich, you will frequently find the inferior ranks of people in possession both of houses and furniture perfectly good and entire, but of which neither the one could have been built, nor the other have been made for their use. What was formerly a seat of the family of Seymour, is now an inn upon the Bath road.[1] The marriage-bed of James the First of Great Britain, which his Queen brought with her from Denmark, as a present fit for a sovereign to make to a sovereign, was, a few years ago, the ornament of an ale-house at Dunfermline.[2] In some ancient cities, which either have been long stationary, or have gone somewhat to decay, you will sometimes scarce find a single house which could have been built for its present inhabitants. If you go into those houses too, you will frequently find many excellent, though antiquated pieces of furniture, which are still very fit for use, and which could as little have been made for them. Noble palaces, magnificent villas, great collections of

---

had 300 or 400 suits of rich clothes, and had 'collected all the finest colours of all the finest cloths, velvets, and silks of all the manufactures, not to mention the different kinds of lace and embroideries of Europe,' and also pictures and books, at Dresden. He died in 1764.]

[1] [This was the Castle Inn at Marlborough, which ceased to be an inn and became Marlborough College in 1843, thus undergoing another vicissitude.]

[2] [The innkeeper, Mrs. Walker, a zealous Jacobite, refused an offer of fifty guineas for the bed, but presented it about 1764 to the Earl of Elgin (John Fernie, *History of the Town and Parish of Dunfermline*, 1815, p. 71), and its remains now form a mantel-piece in the dining-room at Broomhall, near Dunfermline.]

books, statues, pictures, and other curiosities, are frequently both an ornament and an honour, not only to the neighbourhood, but to the whole country to which they belong. Versailles is an ornament and an honour to France, Stowe and Wilton to England. Italy still continues to command some sort of veneration by the number of monuments of this kind which it possesses, though the wealth which produced them has decayed, and though[1] the genius which planned them seems to be extinguished, perhaps from not having the same employment.

The former expense is easier to bring to an end,

The expence too, which is laid out in durable commodities, is favourable, not only to accumulation, but to frugality. If a person should at any time exceed in it, he can easily reform without exposing himself to the censure of the public. To reduce very much the number of his servants, to reform his table from great profusion to great frugality, to lay down his equipage after he has once set it up, are changes which cannot escape the observation of his neighbours, and which are supposed to imply some acknowledgment of preceding bad conduct. Few, therefore, of those who have once been so unfortunate as to launch out too far into this sort of expence, have afterwards the courage to reform, till ruin and bankruptcy oblige them. But if a person has, at any time, been at too great an expence in building, in furniture, in books or pictures, no imprudence can be inferred from his changing his conduct. These are things in which further expence is frequently rendered unnecessary by former expence; and when a person stops short, he appears to do so, not because he has exceeded his fortune, but because he has satisfied his fancy.

and gives maintenance to more people.

The expence, besides, that is laid out in durable commodities, gives maintenance, commonly, to a greater number of people, than that which is employed in the most profuse hospitality. Of two or three hundred weight of provisions, which may sometimes be served up at a great festival, one-half, perhaps, is thrown to the dunghill, and there is always a great deal wasted and abused. But if the expence of this entertainment had been employed in setting to work masons, carpenters, upholsterers, mechanics, &c.[2] a quantity of provisions, of equal value, would have been distributed among a still greater number of people, who would have bought them in penny-worths and pound weights, and not have lost or thrown away a single ounce of them. In the one way, besides, this expence maintains productive, in the other unproductive hands. In the one way, therefore, it increases, in the other, it does not increase, the exchangeable value of the annual produce of the land and labour of the country.

---

[1] [Ed. 1 does not contain 'though'.]

[2] [Ed. 1 does not contain '&c.']

It does not follow that it betokens a more generous spirit.

I would not, however, by all this be understood to mean, that the one species of expence always betokens a more liberal or generous spirit than the other. When a man of fortune spends his revenue chiefly in hospitality, he shares the greater part of it with his friends and companions; but when he employs it in purchasing such durable commodities, he often spends the whole upon his own person, and gives nothing to any body without an equivalent. The latter species of expence, therefore, especially when directed towards frivolous objects, the little ornaments of dress and furniture, jewels, trinkets, gewgaws, frequently indicates, not only a trifling, but a base and selfish disposition. All that I mean is, that the one sort of expence, as it always occasions some accumulation of valuable commodities, as it is more favourable to private frugality, and, consequently, to the increase of the public capital, and as it maintains productive, rather than unproductive hands, conduces more than the other to the growth of public opulence.

CHAPTER IV

OF STOCK LENT AT INTEREST

Stock lent at interest is a capital to the lender, but may or may not be so to the borrower.

THE stock which is lent at interest is always considered as a capital by the lender. He expects that in due time it is to be restored to him, and that in the mean time the borrower is to pay him a certain annual rent for the use of it. The borrower may use it either as a capital, or as a stock reserved for immediate consumption. If he uses it as a capital, he employs it in the maintenance of productive labourers, who reproduce the value with a profit. He can, in this case, both restore the capital and pay the interest without alienating or encroaching upon any other source of revenue. If he uses it as a stock reserved for immediate consumption, he acts the part of a prodigal, and dissipates in the maintenance of the idle, what was destined for the support of the industrious. He can, in this case, neither restore the capital nor pay the interest, without either alienating or encroaching upon some other source of revenue, such as the property or the rent of land.

Generally it is so to the borrower,

The stock which is lent at interest is, no doubt, occasionally employed in both these ways, but in the former much more frequently than in the latter. The man who borrows in order to spend will soon be ruined, and he who lends to him will generally have occasion to repent of his folly. To borrow or to lend for such a purpose, therefore, is in all cases, where gross usury is out of the question, contrary to the interest of both parties; and though it no doubt happens sometimes that people do both the one and the other; yet, from the regard that all men have for their own interest, we may be assured, that it cannot happen so very frequently as we are sometimes apt to imagine. Ask any rich man of common prudence, to which of the two sorts of people he has lent the greater part of his stock, to those who, he thinks, will employ it profitably, or to those who will spend it idly, and he will laugh at you for proposing the question. Even among borrowers, therefore, not the people in the world most famous for frugality, the number of the frugal and industrious surpasses considerably that of the prodigal and idle.

except in case of mortgages effected by country gentlemen.

The only people to whom stock is commonly lent, without their being expected to make any very profitable use of it, are country gentlemen who borrow upon mortgage. Even they scarce ever borrow merely to spend. What they borrow, one may say, is commonly spent before they borrow it. They have generally consumed so great a quantity of goods, advanced to them upon credit by shopkeepers and tradesmen, that they find it necessary to borrow at interest in order to pay the debt. The capital borrowed replaces the capitals of those shopkeepers and tradesmen, which the country gentlemen could not have replaced from the rents of their estates. It is not properly borrowed in order to be spent, but in order to replace a capital which had been spent before.

Loans are made in money, but what the borrower wants and gets is goods.

Almost all loans at interest are made in money, either of paper, or of gold and silver. But what the borrower really wants, and what the lender really supplies him with, is not the money, but the money's worth, or the goods which it can purchase. If he wants it as a stock for immediate consumption, it is those goods only which he can place in that stock. If he wants it as a capital for employing industry, it is from those goods only that the industrious can be furnished with the tools, materials, and maintenance, necessary for carrying on their work. By means of the loan, the lender, as it were, assigns to the borrower his right to a certain portion of the annual produce of the land and labour of the country, to be employed as the borrower pleases.[1]

So the quantity of stock which can be lent is determined by the value of that part of the produce which replaces such capital as the owner does not himself employ.

The quantity of stock, therefore, or, as it is commonly expressed, of money which can be lent at interest in any country, is not regulated by the value of the money, whether paper or coin, which serves as the instrument of the different loans made in that country, but by the value of that part of the annual produce which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined not only for replacing a capital, but such a capital as the owner does not care to be at the trouble of employing himself. As such capitals are commonly lent out and paid back in money, they constitute what is called the monied interest. It is distinct, not only from the landed, but from the trading and manufacturing interests, as in these last the owners themselves employ their own capitals. Even in the monied interest, however, the money is, as it were, but the deed of assignment, which conveys from one hand to another those capitals

---

[1] [*Lectures*, p. 220.]

This may be much greater than the actual money employed.

which the owners do not care to employ themselves. Those capitals may be greater in almost any proportion, than the amount of the money which serves as the instrument of their conveyance; the same pieces of money successively serving for many different loans, as well as for many different purchases. A, for example, lends to W a thousand pounds, with which W immediately purchases of B a thousand pounds worth of goods. B having no occasion for the money himself, lends the identical pieces to X, with which X immediately purchases of C another thousand pounds worth of goods. C in the same manner, and for the same reason, lends them to Y, who again purchases goods with them of D. In this manner the same pieces, either of coin or of paper, may, in the course of a few days, serve as the instrument of three different loans, and of three different purchases, each of which is, in value, equal to the whole amount of those pieces. What the three monied men A, B, and C, assign to the three borrowers, W, X, Y, is the power of making those purchases. In this power consist both the value and the use of the loans. The stock lent by the three monied men, is equal to the value of the goods which can be purchased with it, and is three times greater than that of the money with which the purchases are made. Those loans, however, may be all perfectly well secured, the goods purchased by the different debtors being so employed, as, in due time, to bring back, with a profit, an equal value either of coin or of paper. And as the same pieces of money can thus serve as the instrument of different loans to three, or for the same reason, to thirty times their value, so they may likewise successively serve as the instrument of repayment.

The money is altogether different from what is actually assigned either as principal or interest.

A capital lent at interest may, in this manner, be considered as an assignment from the lender to the borrower of a certain considerable portion of the annual produce; upon condition that the borrower in return shall, during the continuance of the loan, annually assign to the lender a smaller portion, called the interest; and at the end of it, a portion equally considerable with that which had originally been assigned to him, called the repayment. Though money, either coin or paper, serves generally as the deed of assignment both to the smaller, and to the more considerable portion, it is itself altogether different from what is assigned by it.

The stock to be lent at interest naturally grows as the whole quantity of stock increases.

In proportion as that share of the annual produce which, as soon as it comes either from the ground, or from the hands of the productive labourers, is destined for replacing a capital, increases in any country, what is called the monied interest naturally increases with it. The increase of those particular capitals from which the owners wish to derive a revenue, without being at the trouble of employing them themselves, naturally accompanies the general increase of capitals; or, in other words, as stock increases, the quantity of stock to be lent at interest grows gradually greater and greater.

Interest falls as the quantity of stock to be lent increases,

As the quantity of stock to be lent at interest increases, the interest, or the price which must be paid for the use of that stock, necessarily diminishes, not only from those general causes which make the market price of things commonly diminish as their quantity increases, but from other causes which are peculiar to this particular case. As capitals increase in any country, the profits which can be made by employing them necessarily diminish. It becomes gradually more and more difficult to find within the country a profitable method of employing any new capital. There arises in consequence a competition between different capitals, the owner of one endeavouring to get possession of that employment which is occupied by another. But upon most occasions he can hope to justle that other out of this employment, by no other means but by dealing upon more reasonable terms. He must not only sell what he deals in somewhat cheaper, but in order to get it to sell, he must sometimes too buy it dearer. The demand for productive labour, by the increase of the funds which are destined for maintaining it, grows every day greater and greater. Labourers easily find employment, but the owners of capitals find it difficult to get labourers to employ. Their competition raises the wages of labour, and sinks the profits of stock. But when the profits which can be made by the use of a capital are in this manner diminished, as it were, at both ends, the price which can be paid for the use of it, that is, the rate of interest, must necessarily be diminished with them.

because profits diminish as it becomes more difficult to find a profitable method of employing new capital.

The notion that it was the discovery of the West Indies which lowered interest has been refuted by Hume.

Mr. Locke, Mr. Law, and Mr. Montesquieu, as well as many other writers,[1] seem to have imagined that the increase of the quantity of gold and silver, in consequence of the discovery of the Spanish West Indies, was the real cause of the lowering of the rate of interest through the greater part of Europe. Those metals, they say, having become of less value themselves, the use of any particular portion of them necessarily became of less value too, and consequently the price which could be paid for it. This notion, which at first sight seems so plausible, has been so fully exposed by Mr. Hume,[2] that it is, perhaps, unnecessary to say any thing more about it. The following very short and plain argument, however, may serve to explain more distinctly the fallacy which seems to have misled those gentlemen.

---

[1] [Locke, *Some Considerations*, ed. of 1696, pp. 6, 10, 11, 81; Law, *Money and Trade*, 2nd ed., 1720, p. 17; Montesquieu, *Esprit des Lois*, liv. xxii., ch. vi. Locke and Law suppose that the rate rises and falls with the quantity of money, and Montesquieu specifically attributes the historical fall to the discovery of the American mines. Cantillon disapproves of the common and received idea that an increase of effective money diminishes the rate of interest. —*Essai*, pp. 282-285; see *Lectures*, pp. 219, 220.]

[2] [In his essay, 'Of Interest,' in *Political Discourses*, 1752.]

If £100 are now required to purchase what £50 would have purchased then, £10 must now be required to purchase what £5 would have purchased then.

Before the discovery of the Spanish West Indies, ten per cent. seems to have been the common rate of interest through the greater part of Europe. It has since that time in different countries sunk to six, five, four, and three per cent. Let us suppose that in every particular country the value of silver has sunk precisely in the same proportion as the rate of interest; and that in those countries, for example, where interest has been reduced from ten to five per cent., the same quantity of silver can now purchase just half the quantity of goods which it could have purchased before. This supposition will not, I believe, be found any-where agreeable to the truth; but it is the most favourable to the opinion which we are going to examine; and even upon this supposition it is utterly impossible that the lowering of the value of silver could have the smallest tendency to lower the rate of interest. If a hundred pounds are in those countries now of no more value than fifty pounds were then, ten pounds must now be of no more value than five pounds were then. Whatever were the causes which lowered the value of the capital, the same must necessarily have lowered that of the interest, and exactly in the same proportion. The proportion between the value of the capital and that of the interest, must have remained the same, though the rate had never been altered. By altering the rate, on the contrary, the proportion between those two values is necessarily altered. If a hundred pounds now are worth no more than fifty were then, five pounds now can be worth no more than two pounds ten shillings were then. By reducing the rate of interest, therefore, from ten to five per cent., we give for the use of a capital, which is supposed to be equal to one-half of its former value, an interest which is equal to one-fourth only of the value of the former interest.

An increase in the quantity of silver could only diminish its value.

Any increase in the quantity of silver, while that of the commodities circulated by means of it remained the same, could have no other effect than to diminish the value of that metal. The nominal value of all sorts of goods would be greater, but their real value would be precisely the same as before. They would be exchanged for a greater number of pieces of silver; but the quantity of labour which they could command, the number of people whom they could maintain and employ, would be precisely the same. The capital of the country would be the same, though a greater number of pieces might be requisite for conveying any equal portion of it from one hand to another. The deeds of assignment, like the conveyances of a verbose attorney, would be more cumbersome, but the thing assigned would be precisely the same as before, and could produce only the same effects. The funds for maintaining productive labour being the same, the demand for it would be the same. Its price or wages, therefore, though nominally greater, would really be the same. They would be paid in a greater number of pieces of silver; but they would purchase only the same quantity of goods. The profits of stock would be the same both nominally and really. The wages of labour are commonly computed by the quantity of silver which is paid to the labourer. When that is increased, therefore, his wages appear to be increased, though they may sometimes be no greater than before. But the profits of stock are not computed by the number of pieces of silver with which they are paid, but by the proportion which those pieces bear to the whole capital employed. Thus in a particular country five shillings a week are said to be the common wages of labour, and ten per cent. the common profits of stock. But the whole capital of the country being the same as before, the competition between the different capitals of individuals into which it was divided would likewise be the same. They would all trade with the same advantages and disadvantages. The common proportion between capital and profit, therefore, would be the same, and consequently the common interest of money; what can commonly be given for the use of money being necessarily regulated by what can commonly be made by the use of it.

Nominal wages would be greater, but real wages the same; profits would be the same nominally and really.

Any increase in the quantity of commodities annually circulated within the country, while that of the money which circulated them remained the same, would, on the contrary, produce many other important effects, besides that of raising the value of the money. The capital of the country, though it might nominally be the same, would really be augmented. It might continue to be expressed by the same quantity of money, but it would command a greater quantity of labour. The quantity of productive labour which it could maintain and employ would be increased, and consequently the demand for that labour. Its wages would naturally rise with the demand, and yet might appear to sink. They might be paid with a smaller quantity of money, but that smaller quantity might purchase a greater quantity of goods than a greater had done before. The profits of stock would be diminished both really and in appearance. The whole capital of the country being augmented, the competition between the different capitals of which it was composed, would naturally be augmented along with it. The owners of those particular capitals would be obliged to content themselves with a smaller proportion of the produce of that labour

An increase in the goods annually circulated would cause a fall of profits and consequently of interest.

which their respective capitals employed. The interest of money, keeping pace always with the profits of stock, might, in this manner, be greatly diminished, though the value of money, or the quantity of goods which any particular sum could purchase, was greatly augmented.

The prohibition of interest is wrong, and increases the evil of usury.

In some countries the interest of money has been prohibited by law. But as something can every-where be made by the use of money, something ought every-where to be paid for the use of it. This regulation, instead of preventing, has been found from experience to increase the evil of usury; the debtor being obliged to pay, not only for the use of the money, but for the risk which his creditor runs by accepting a compensation for that use. He is obliged, if one may say so, to insure his creditor from the penalties of usury.

Where a maximum rate is fixed, this should be somewhat above the market rate on good security,

In countries where interest is permitted, the law, in order to prevent the extortion of usury, generally fixes the highest rate which can be taken without incurring a penalty. This rate ought always to be somewhat above the lowest market price, or the price which is commonly paid for the use of money by those who can give the most undoubted security. If this legal rate should be fixed below the lowest market rate, the effects of this fixation must be nearly the same as those of a total prohibition of interest. The creditor will not lend his money for less than the use of it is worth, and the debtor must pay him for the risk which he runs by accepting the full value of that use. If it is fixed precisely at the lowest market price, it ruins with honest people, who respect the laws of their country, the credit of all those who cannot give the very best security, and obliges them to have recourse to exorbitant usurers. In a country, such as Great Britain, where money is lent to government at three per cent. and to private people upon good security at four, and four and a half, the present legal rate, five per cent., is perhaps, as proper as any.

but not much above, or the greater part of loans would be to prodigals and projectors.

The legal rate, it is to be observed, though it ought to be somewhat above, ought not to be much above the lowest market rate. If the legal rate of interest in Great Britain, for example, was fixed so high as eight or ten per cent., the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high interest. Sober people, who will give for the use of money no more than a part of what they are likely to make by the use of it, would not venture into the competition. A great part of the capital of the country would thus be kept out of the hands which were most likely to make a profitable and advantageous use of it, and thrown into those which were most likely to waste and destroy it.

Where the legal rate of interest, on the contrary, is fixed but a very little above the lowest market rate, sober people are universally preferred, as borrowers, to prodigals and projectors. The person who lends money gets nearly as much interest from the former as he dares to take from the latter, and his money is much safer in the hands of the one set of people, than in those of the other. A great part of the capital of the country is thus thrown into the hands in which it is most likely to be employed with advantage.

No law can reduce interest below the market rate.

No law can reduce the common rate of interest below the lowest ordinary market rate at the time when that law is made. Notwithstanding the edict of 1766, by which the French king attempted to reduce the rate of interest from five to four per cent., money continued to be lent in France at five per cent., the law being evaded in several different ways.[1]

The number of years' purchase commonly paid for land depends on the rate of interest.

The ordinary market price of land, it is to be observed, depends every-where upon the ordinary market rate of interest.[2] The person who has a capital from which he wishes to derive a revenue, without taking the trouble to employ it himself, deliberates whether he should buy land with it, or lend it out at interest. The superior security of land, together with some other advantages which almost every-where attend upon this species of property, will generally dispose him to content himself with a smaller revenue from land, than what he might have by lending out his money at interest. These advantages are sufficient to compensate a certain difference of revenue; but they will compensate a certain difference only; and if the rent of land should fall short of the interest of money by a greater difference, nobody would buy land, which would soon reduce its ordinary price. On the contrary, if the advantages should much more than compensate the difference, every body would buy land, which again would soon raise its ordinary price. When interest was at ten per cent., land was commonly sold for ten and twelve years purchase. As interest sunk to six, five, and four per cent., the price of land rose to twenty, five and twenty, and thirty years purchase. The market rate of interest is higher in France than in England; and the common price of land is lower. In England it commonly sells at thirty; in France at twenty years purchase.

---

[1] [Above, p. 92.]

[2] [This seems obvious, but it was distinctly denied by Locke, *Some Considerations*, pp. 83, 84.]

CHAPTER V

OF THE DIFFERENT EMPLOYMENT OF CAPITALS

The quantity of labour put in motion and the value added to the annual produce by capitals vary with their employment.

THOUGH all capitals are destined for the maintenance of productive labour only, yet the quantity of that labour, which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment; as does likewise the value which that employment adds to the annual produce of the land and labour of the country.

There are four different ways of employing capital,

A capital may be employed in four different ways: either, first, in procuring the rude produce annually required for the use and consumption of the society; or, secondly, in manufacturing and preparing that rude produce for immediate use and consumption; or, thirdly, in transporting either the rude or manufactured produce from the places where they abound to those where they are wanted; or, lastly, in dividing particular portions of either into such small parcels as suit the occasional demands of those who want them. In the first way are employed the capitals of all those who undertake the improvement or cultivation of lands, mines, or fisheries; in the second, those of all master manufacturers; in the third, those of all wholesale merchants; and in the fourth, those of all retailers. It is difficult to conceive that a capital should be employed in any way which may not be classed under some one or other of those four.

all of which are necessary:

Each of those four methods of employing a capital is essentially necessary either to the existence or extension of the other three, or to the general conveniency of the society.

(1) procuring rude produce,

Unless a capital was employed in furnishing rude produce to a certain degree of abundance, neither manufactures nor trade of any kind could exist.

(2) manufacturing,

Unless a capital was employed in manufacturing that part of the rude produce which requires a good deal of preparation before it can be fit for use and consumption, it either would never be produced, because there could be no demand for it; or if it was produced spontaneously, it would be of no value in exchange, and could add nothing to the wealth of the society.

(3) transportation,

Unless a capital was employed in transporting, either the rude or manufactured produce, from the places where it abounds to those where it is wanted, no more of either could be produced than was necessary for the consumption of the neighbourhood. The capital of the merchant exchanges the surplus produce of one place for that of another, and thus encourages the industry and increases the enjoyments of both.

and (4) distribution.

Unless a capital was employed in breaking and dividing certain portions either of the rude or manufactured produce, into such small parcels as suit the occasional demands of those who want them, every man would be obliged to purchase a greater quantity of the goods he wanted, than his immediate occasions required. If there was no such trade as a butcher, for example, every man would be obliged to purchase a whole ox or a whole sheep at a time. This would generally be inconvenient to the rich, and much more so to the poor. If a poor workman was obliged to purchase a month's or six months provisions at a time, a great part of the stock which he employs as a capital in the instruments of his trade, or in the furniture of his shop, and which yields him a revenue, he would be forced to place in that part of his stock which is reserved for immediate consumption, and which yields him no revenue. Nothing can be more convenient for such a person than to be able to purchase his subsistence from day to day, or even from hour to hour, as he wants it. He is thereby enabled to employ almost his whole stock as a capital. He is thus enabled to furnish work to a greater value, and the profit, which he makes by it in this way, much more than compensates the additional price which the profit of the retailer imposes upon the goods. The prejudices of some political writers against shopkeepers and tradesmen, are altogether without foundation. So far is it from being necessary, either to tax them, or to restrict their numbers, that they can never be multiplied so as to hurt the publick, though they may so as to hurt one another. The quantity of grocery goods, for example, which can be sold in a particular town, is limited by the demand of that town and its[1] neighbourhood. The capital, therefore, which can be employed in the grocery trade cannot exceed what is sufficient to purchase that quantity. If this capital is divided between two different grocers, their competition will tend to make both of them sell cheaper, than if it were in the hands of one only; and if it were divided among twenty, their competition would be just so much the greater, and the chance of their combining together, in order to raise the price, just so much the less. Their competition might perhaps ruin some of themselves; but to take care of this is the business of the parties concerned, and it may safely be trusted to their discretion. It can never hurt either the consumer, or the producer; on the contrary, it must tend to make the retailers both sell cheaper and buy dearer, than if the whole trade was monopolized by one or two persons. Some of them, perhaps, may sometimes decoy a weak customer to buy what he has no occasion for. This evil, however, is of too little importance to deserve the publick attention, nor would it necessarily be prevented by restricting their numbers. It is not the multitude of ale-houses, to give the most suspicious example, that occasions a general disposition to drunkenness among the common people; but that disposition arising from other causes necessarily gives employment to a multitude of ale-houses.

---

[1] [Ed. 1 does not contain 'its'.]

The employers of such capitals are productive labourers:

The persons whose capitals are employed in any of those four ways are themselves productive labourers. Their labour, when properly directed, fixes and realizes itself in the subject or vendible commodity upon which it is bestowed, and generally adds to its price the value at least of their own maintenance and consumption. The profits of the farmer, of the manufacturer, of the merchant, and retailer, are all drawn from the price of the goods which the two first produce, and the two last buy and sell. Equal capitals, however, employed in each of those four different ways, will immediately[1] put into motion very different quantities of productive labour, and augment too in very different proportions the value of the annual produce of the land and labour of the society to which they belong.

the capital of the retailer employs only himself;

The capital of the retailer replaces, together with its profits, that of the merchant of whom he purchases goods, and thereby enables him to continue his business. The retailer himself is the only productive labourer whom it immediately employs. In his profits, consists the whole value which its employment adds to the annual produce of the land and labour of the society.

the capital of the merchant employs sailors and carriers;

The capital of the wholesale merchant replaces, together with their profits, the capitals of the farmers and manufacturers of whom he purchases the rude and manufactured produce which he deals in, and thereby enables them to continue their respective trades. It is by this service chiefly that he contributes indirectly to support the productive labour of the society, and to increase the value of its annual produce. His capital employs too the sailors and carriers who transport his goods from one place to another, and it augments the price of those goods by the value, not only of his profits, but of their wages. This is all the productive labour which it immediately puts into motion, and all the value which it immediately adds to the annual produce. Its operation in both these respects is a good deal superior to that of the capital of the retailer.

---

[1] [Ed. 1 does not contain 'immediately' here or seven lines lower down.]

the capital of the manufacturer employs his workmen;

Part of the capital of the master manufacturer is employed as a fixed capital in the instruments of his trade, and replaces, together with its profits, that of some other artificer of whom he purchases them. Part of his circulating capital is employed in purchasing materials, and replaces, with their profits, the capitals of the farmers and miners of whom he purchases them. But a great part of it is always, either annually, or in a much shorter period, distributed among the different workmen whom he employs. It augments the value of those materials by their wages, and by their masters profits upon the whole stock of wages, materials, and instruments of trade employed in the business. It puts immediately[1] into motion, therefore, a much greater quantity of productive labour, and adds a much greater value to the annual produce of the land and labour of the society, than an equal capital in the hands of any wholesale merchant.

the capital of the farmer employs his servants and his cattle, and adds a much greater value to the annual produce than other capital.

No equal capital puts into motion a greater quantity of productive labour than that of the farmer. Not only his labouring servants, but his labouring cattle, are productive labourers. In agriculture too nature labours along with man; and though her labour costs no expence, its produce has its value, as well as that of the most expensive workmen. The most important operations of agriculture seem intended, not so much to increase, though they do that too, as to direct the fertility of nature towards the production of the plants most profitable to man. A field overgrown with briars and brambles may frequently produce as great a quantity of vegetables as the best cultivated vineyard or corn field. Planting and tillage frequently regulate more than they animate the active fertility of nature; and after all their labour, a great part of the work always remains to be done by her. The labourers and labouring cattle, therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital which employs them, together with its owners profits; but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord. This rent may be considered as the produce of those powers of nature, the use of which the landlord lends to the farmer. It is greater or smaller according to the supposed extent of those powers, or in other words, according to the supposed natural or improved fertility of the land. It is the work of nature which remains after deducting or compensating every thing which can be regarded as the work of man. It is seldom less than a fourth, and frequently more than a third of the whole produce. No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction. In them nature does nothing; man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of productive labour than any equal capital employed in manufactures, but in proportion too to the quantity of productive labour which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society.

---

[1] [Ed. 1 does not contain 'immediately'.]

Capitals employed in agriculture and retail trade must reside within the country;

The capitals employed in the agriculture and in the retail trade of any society, must always reside within that society. Their employment is confined almost to a precise spot, to the farm, and to the shop of the retailer. They must generally too, though there are some exceptions to this, belong to resident members of the society.

the capital of the merchant may reside anywhere;

The capital of a wholesale merchant, on the contrary, seems to have no fixed or necessary residence anywhere, but may wander about from place to place, according as it can either buy cheap or sell dear.

the capital of the manufacturer must be where the manufacture is, but that is not necessarily determined.

The capital of the manufacturer must no doubt reside where the manufacture is carried on; but where this shall be is not always necessarily determined. It may frequently be at a great distance both from the place where the materials grow, and from that where the complete manufacture is consumed. Lyons is very distant both from the places which afford the materials of its manufactures, and from those which consume them. The people of fashion in Sicily are cloathed in silks made in other countries, from the materials which their own produces. Part of the wool of Spain is manufactured in Great Britain, and some part of that cloth is afterwards sent back to Spain.

Whether the merchant who exports belongs to the country or not makes

Whether the merchant whose capital exports the surplus produce of any society be a native or a foreigner, is of very little importance. If he is a foreigner, the number of their productive labourers is necessarily less than if he had been a native by one man only; and the value of little difference.

their annual produce, by the profits of that one man. The sailors or carriers whom he employs may still belong indifferently either to his country, or to their country, or to some third country, in the same manner as if he had been a native. The capital of a foreigner gives a value to their surplus produce equally with that of a native, by exchanging it for something for which there is a demand at home. It as effectually replaces the capital of the person who produces that surplus, and as effectually enables him to continue his business; the service by which the capital of a wholesale merchant chiefly contributes to support the productive labour, and to augment the value of the annual produce of the society to which he belongs.

The capital of the manufacturer will put into motion more native labour if it resides within the country, but may be useful even if outside it.

It is of more consequence that the capital of the manufacturer should reside within the country. It necessarily puts into motion a greater quantity of productive labour, and adds a greater value to the annual produce of the land and labour of the society. It may, however, be very useful to the country, though it should not reside within it. The capitals of the British manufacturers who work up the flax and hemp annually imported from the coasts of the Baltic, are surely very useful to the countries which produce them. Those materials are a part of the surplus produce of those countries which, unless it was annually exchanged for something which is in demand there, would be of no value, and would soon cease to be produced. The merchants who export it, replace the capitals of the people who produce it, and thereby encourage them to continue the production; and the British manufacturers replace the capitals of those merchants.

Particular countries often have not enough capital for cultivation, manufactures, and transportation.

A particular country, in the same manner as a particular person, may frequently not have capital sufficient both to improve and cultivate all its lands, to manufacture and prepare their whole rude produce for immediate use and consumption, and to transport the surplus part either of the rude or manufactured produce to those distant markets where it can be exchanged for something for which there is a demand at home. The inhabitants of many different parts of Great Britain have not capital sufficient to improve and cultivate all their lands. The wool of the southern counties of Scotland is, a great part of it, after a long land carriage through very bad roads, manufactured in Yorkshire, for want of a capital to manufacture it at home. There are many little manufacturing towns in Great Britain, of which the inhabitants have not capital sufficient to transport the produce of their own industry to those distant markets where there is demand and consumption for it. If there are any merchants among them, they are properly only the agents of wealthier merchants who reside in some of the greater commercial cities.

In such cases the larger the proportion employed in agriculture, the larger will be the annual produce.

When the capital of any country is not sufficient for all those three purposes, in proportion as a greater share of it is employed in agriculture, the greater will be the quantity of productive labour which it puts into motion within the country; as will likewise be the value which its employment adds to the annual produce of the land and labour of the society. After agriculture, the capital employed in manufactures puts into motion the greatest quantity of productive labour, and adds the greatest value to the annual produce. That which is employed in the trade of exportation, has the least effect of any of the three.

The quickest way to make the capital sufficient for all these purposes is to begin with the most profitable.

The country, indeed, which has not capital sufficient for all those three purposes, has not arrived at that degree of opulence for which it seems naturally destined. To attempt, however, prematurely and with an insufficient capital, to do all the three, is certainly not the shortest way for a society, no more than it would be for an individual, to acquire a sufficient one. The capital of all the individuals of a nation, has its limits in the same manner as that of a single individual, and is capable of executing only certain purposes. The capital of all the individuals of a nation is increased in the same manner as that of a single individual, by their continually accumulating and adding to it whatever they save out of their revenue. It is likely to increase the fastest, therefore, when it is employed in the way that affords the greatest revenue to all the inhabitants of the country, as they will thus be enabled to make the greatest savings. But the revenue of all the inhabitants of the country is necessarily in proportion to the value of the annual produce of their land and labour.

That they have done so is the principal cause of the progress of the American colonies.

It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture.[1] They have no manufactures, those houshold and coarser manufactures excepted which necessarily accompany the progress of agriculture, and which are the work of the women and children in every private family. The greater part both of the exportation and coasting trade of America, is carried on by the capitals of merchants who reside in Great Britain. Even the stores and warehouses from which goods are retailed in some provinces, particularly in Virginia and Maryland, belong many of them to merchants who reside in the mother country, and afford one of the few instances of the retail trade of a society being carried on by the capitals of those who are not resident members of it. Were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures, and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country towards real wealth and greatness. This would be still more the case, were they to attempt, in the same manner, to monopolize to themselves their whole exportation trade.

---

[1] [Below, p. 390.]

Great countries have scarcely ever acquired sufficient capital for all those purposes.

The course of human prosperity, indeed, seems scarce ever to have been of so long continuance as to enable any great country to acquire capital sufficient for all those three purposes; unless, perhaps, we give credit to the wonderful accounts of the wealth and cultivation of China, of those of antient Egypt, and of the antient state of Indostan. Even those three countries, the wealthiest, according to all accounts, that ever were in the world, are chiefly renowned for their superiority in agriculture and manufactures. They do not appear to have been eminent for foreign trade. The antient Egyptians had a superstitious antipathy to the sea;[1] a superstition nearly of the same kind prevails among the Indians; and the Chinese have never excelled in foreign commerce. The greater part of the surplus produce of all those three countries seems to have been always exported by foreigners, who gave in exchange for it something else for which they found a demand there, frequently gold and silver.

Different kinds of wholesale trade employ different quantities of productive labour and add different amounts to the annual produce.

It is thus that the same capital will in any country put into motion a greater or smaller quantity of productive labour, and add a greater or smaller value to the annual produce of its land and labour, according to the different proportions in which it is employed in agriculture, manufactures, and wholesale trade. The difference too is very great, according to the different sorts of wholesale trade in which any part of it is employed.

There are three different kinds of trade: home, foreign and carrying.

All wholesale trade, all buying in order to sell again by wholesale, may be reduced to three different sorts. The home trade, the foreign trade of consumption, and the carrying trade. The home trade is employed in purchasing in one part of the same country, and selling in another, the produce of the industry of that country. It comprehends both the inland and the coasting trade. The foreign trade of consumption is employed in purchasing foreign goods for home consumption. The carrying trade is employed in transacting the commerce of foreign countries, or in carrying the surplus produce of one to another.

---

[1] [Possibly the supposed authority for this statement is Montesquieu, *Esprit des Lois*, liv., xxi., ch. vi.: 'L'Egypte éloignée par la religion et par les mœurs de toute communication avec les étrangers, ne faisait guère de commerce au-dehors. . . . Les Egyptiens furent si peu jaloux du commerce du dehors qu'ils laissèrent celui de la mer rouge à toutes les petites nations qui y eurent quelque port.']

Capital employed in buying in one part of the country to sell in another replaces two domestic capitals.

The capital which is employed in purchasing in one part of the country in order to sell in another the produce of the industry of that country, generally replaces by every such operation two distinct capitals that had both been employed in the agriculture or manufactures of that country, and thereby enables them to continue that employment. When it sends out from the residence of the merchant a certain value of commodities, it generally brings back in return at least an equal value of other commodities. When both are the produce of domestick industry, it necessarily replaces by every such operation two distinct capitals, which had both been employed in supporting productive labour, and thereby enables them to continue that support. The capital which sends Scotch manufactures to London, and brings back English corn and manufactures to Edinburgh, necessarily replaces, by every such operation, two British capitals which had both been employed in the agriculture or manufactures of Great Britain.

Capital employed in importation replaces one domestic and one foreign capital.

The capital employed in purchasing foreign goods for home-consumption, when this purchase is made with the produce of domestick industry, replaces too, by every such operation, two distinct capitals; but one of them only is employed in supporting domestick industry. The capital which sends British goods to Portugal, and brings back Portuguese goods to Great Britain, replaces by every such operation only one British capital. The other is a Portuguese one. Though the returns, therefore, of the foreign trade of consumption should be as quick as those of the home-trade, the capital employed in it will give but one-half the encouragement to the industry or productive labour of the country.

Its returns are not so quick as those of home trade.

But the returns of the foreign trade of consumption are very seldom so quick as those of the home-trade. The returns of the home-trade generally come in before the end of the year, and sometimes three or four times in the year. The returns of the foreign trade of consumption seldom come in before the end of the year, and sometimes not till after two or three years. A capital, therefore, employed in the home-trade will sometimes make twelve operations, or be sent out and returned twelve times, before a capital employed in the foreign trade of consumption has made one. If the capitals are equal, therefore, the one will give four and twenty times more encouragement and support to the industry of the country than the other.[1]

---

[1] [If this doctrine as to the advantage of quick returns had been applied earlier in the chapter, it would have made havoc of the argument as to the superiority of agriculture.]

Roundabout foreign trade has the same effect as direct.

The foreign goods for home-consumption may sometimes be purchased, not with the produce of domestick industry, but with some other foreign goods. These last, however, must have been purchased either immediately with the produce of domestick industry, or with something else that had been purchased with it; for the case of war and conquest excepted, foreign goods can never be acquired, but in exchange for something that had been produced at home, either immediately, or after two or more different exchanges. The effects, therefore, of a capital employed in such a round-about foreign trade of consumption, are, in every respect, the same as those of one employed in the most direct trade of the same kind, except that the final returns are likely to be still more distant, as they must depend upon the returns of two or three distinct foreign trades. If the flax and hemp of Riga are purchased with the tobacco of Virginia, which had been purchased with British manufactures, the merchant must wait for the returns of two distinct foreign trades before he can employ the same capital in re-purchasing a like quantity of British manufactures. If the tobacco of Virginia had been purchased, not with British manufactures, but with the sugar and rum of Jamaica which had been purchased with those manufactures, he must wait for the returns of three. If those two or three distinct foreign trades should happen to be carried on by two or three distinct merchants, of whom the second buys the goods imported by the first, and the third buys those imported by the second, in order to export them again, each merchant indeed will in this case receive the returns of his own capital more quickly; but the final returns of the whole capital employed in the trade will be just as slow as ever. Whether the whole capital employed in such a round-about trade belong to one merchant or to three, can make no difference with regard to the country, though it may with regard to the particular merchants. Three times a greater capital must in both cases be employed, in order to exchange a certain value of British manufactures for a certain quantity of flax and hemp, than would have been necessary, had the manufactures and the flax and hemp been directly exchanged for one another. The whole capital employed, therefore, in such a round-about foreign trade of consumption, will generally give less encouragement and support to the productive labour of the country, than an equal capital employed in a more direct trade of the same kind.

Foreign trade carried on by means of gold and silver is in

Whatever be the foreign commodity with which the foreign goods for home-consumption are purchased, it can occasion no essential difference either in the nature of the trade, or in the encouragement and no way different from the rest.

support which it can give to the productive labour of the country from which it is carried on. If they are purchased with the gold of Brazil, for example, or with the silver of Peru, this gold and silver, like the tobacco of Virginia, must have been purchased with something that either was the produce of the industry of the country, or that had been purchased with something else that was so. So far, therefore, as the productive labour of the country is concerned, the foreign trade ot consumption which is carried on by means of gold and silver, has all the advantages and all the inconveniencies of any other equally round-about foreign trade of consumption, and will replace just as fast or just as slow the capital which is immediately employed in supporting that productive labour. It seems even to have one advantage over any other equally round-about foreign trade. The transportation of those metals from one place to another, on account of their small bulk and great value, is less expensive than that of almost any other foreign goods of equal value. Their freight is much less, and their insurance not greater; and no goods, besides, are less liable to suffer by the carriage.[1] An equal quantity of foreign goods, therefore, may frequently be purchased with a smaller quantity of the produce of domestick industry, by the intervention of gold and silver, than by that of any other foreign goods. The demand of the country may frequently, in this manner, be supplied more completely and at a smaller expence than in any other. Whether, by the continual exportation of those metals, a trade of this kind is likely to impoverish the country from which it is carried on, in any other way, I shall have occasion to examine at great length hereafter.[2]

Capital employed in the carrying trade replaces two foreign capitals.

That part of the capital of any country which is employed in the carrying trade, is altogether withdrawn from supporting the productive labour of that particular country, to support that of some foreign countries. Though it may replace by every operation two distinct capitals, yet neither of them belongs[3] to that particular country. The capital of the Dutch merchant, which carries the corn of Poland to Portugal, and brings back the fruits and wines of Portugal to Poland, replaces by every such operation two capitals, neither of which had been employed in supporting the productive labour of Holland; but one of them in supporting that of Poland, and the other that of Portugal. The profits only return regularly to Holland, and constitute the whole addition which this trade necessarily makes to the annual produce of the land and labour of that country. When, indeed, the carrying trade of any particular country is carried on with the ships and sailors of that

It may employ ships and sailors

---

[1] [The second part of this sentence is not in Ed. 1.]

[2] [Bk. iv.]

[3] [Ed. 1 reads 'belong'.]

country, that part of the capital employed in it which pays the freight, is distributed among, and puts into motion, a certain number of productive labourers of that country. Almost all nations that have had any considerable share of the carrying trade have, in fact, carried it on in this manner. The trade itself has probably derived its name from it, the people of such countries being the carriers to other countries. It does not, however, seem essential to the nature of the trade that it should be so. A Dutch merchant may, for example, employ his capital in transacting the commerce of Poland and Portugal, by carrying part of the surplus produce of the one to the other, not in Dutch, but in British bottoms. It may be presumed, that he actually does so upon some particular occasions. It is upon this account, however, that the carrying trade has been supposed peculiarly advantageous to such a country as Great Britain, of which the defence and security depend upon the number of its sailors and shipping. But the same capital may employ as many sailors and shipping, either in the foreign trade of consumption, or even in the home-trade, when carried on by coasting vessels, as it could in the carrying trade. The number of sailors and shipping which any particular capital can employ, does not depend upon the nature of the trade, but partly upon the bulk of the goods in proportion to their value, and partly upon the distance of the ports between which they are to be carried; chiefly upon the former of those two circumstances. The coal-trade from Newcastle to London, for example, employs more shipping than all the carrying trade of England, though the ports are at no great distance. To force, therefore, by extraordinary encouragements, a larger share of the capital of any country into the carrying trade, than what would naturally go to it, will not always necessarily increase the shipping of that country.

belonging to the country, but this is not always the case,

and equal capital employed in importation or coasting trade may employ as many ships and men.

The capital, therefore, employed in the home-trade of any country will generally give encouragement and support to a greater quantity of productive labour in that country, and increase the value of its annual produce more than an equal capital employed in the foreign trade of consumption: and the capital employed in this latter trade has in both these respects a still greater advantage over an equal capital employed in the carrying trade. The riches, and so far as power depends upon riches, the power of every country, must always be in proportion to the value of its annual produce, the fund from which all taxes must ultimately be paid. But the great object of the political œconomy of every country, is to increase the riches and power of that country. It ought, therefore, to give no preference nor superior encouragement to the foreign trade of consumption above the home-trade, nor to the

Capital in home trade therefore supports more productive labour than capital employed in foreign trade, which, however, supports more than capital in the carrying trade.

Political economy ought consequently not to allure capital into the foreign or the carrying trade,

carrying trade above either of the other two. It ought neither to force nor to allure into either of those two channels, a greater share of the capital of the country than what would naturally flow into them of its own accord.

though each is advantageous when naturally introduced.

Each of those different branches of trade, however, is not only advantageous, but necessary and unavoidable, when the course of things, without any constraint or violence, naturally introduces it.

The surplus of the produce of particular branches of industry must be sent abroad.

When the produce of any particular branch of industry exceeds what the demand of the country requires, the surplus must be sent abroad, and exchanged for something for which there is a demand at home. Without such exportation, a part of the productive labour of the country must cease,[1] and the value of its annual produce diminish. The land and labour of Great Britain produce generally more corn, woollens, and hard ware, than the demand of the home-market requires. The surplus part of them, therefore, must be sent abroad, and exchanged for something for which there is a demand at home. It is only by means of such exportation, that this surplus can acquire a value sufficient to compensate the labour and expence of producing it. The neighbourhood of the sea coast, and the banks of all navigable rivers are advantageous situations for industry, only because they facilitate the exportation and exchange of such surplus produce for something else which is more in demand there.

Foreign goods obtained in exchange must often be re-exported.

When the foreign goods which are thus purchased with the surplus produce of domestic industry exceed the demand of the home-market, the surplus part of them must be sent abroad again, and exchanged for something more in demand at home. About ninety-six thousand hogsheads of tobacco are annually purchased in Virginia and Maryland, with a part of the surplus produce of British industry. But the demand of Great Britain does not require, perhaps, more than fourteen thousand.[2] If the remaining eighty-two thousand, therefore, could not be sent abroad and exchanged for something more in demand at home, the importation of them must cease immediately, and with it the productive labour of all those inhabitants of Great Britain, who are at present employed in preparing the goods with which these eighty-two thousand hogsheads are annually purchased. Those goods, which are part of the produce of the land and labour of Great Britain, having no market at home, and being deprived of that which they had abroad, must cease to be produced. The most round-about foreign trade of consumption, therefore, may, upon some occasions, be as necessary for supporting the productive labour of the country, and the value of its annual produce, as the most direct.

---

[1] [But why may not the labour be diverted to the production of 'something for which there is a demand at home'? The 'corn, woollens and hardware' immediately below perhaps suggest that it is supposed the country has certain physical characteristics which compel its inhabitants to produce particular commodities.]

[2] [Below, vol. ii., p. 2. The figures 96,000 and 13,500 are given in the continuation of Anderson's *Commerce*, A.D. 1775, ed. of 1801, vol. iv., p. 187.]

When the other employments are full, the surplus capital disgorges itself into the carrying trade, which is a symptom rather than a cause of great national wealth.

When the capital stock of any country is increased to such a degree, that it cannot be all employed in supplying the consumption, and supporting the productive labour of that particular country, the surplus part of it naturally disgorges itself into the carrying trade, and is employed in performing the same offices to other countries. The carrying trade is the natural effect and symptom of great national wealth; but it does not seem to be the natural cause of it. Those statesmen who have been disposed to favour it with particular encouragements, seem to have mistaken the effect and symptom for the cause. Holland, in proportion to the extent of the land and the number of its inhabitants, by far the richest country in Europe, has, accordingly, the greatest share of the carrying trade of Europe. England, perhaps the second richest country of Europe, is likewise supposed to have a considerable share of it; though what commonly passes for the carrying trade of England, will frequently, perhaps, be found to be no more than a round-about foreign trade of consumption. Such are, in a great measure, the trades which carry the goods of the East and West Indies, and of America, to different European markets. Those goods are generally purchased either immediately with the produce of British industry, or with something else which had been purchased with that produce, and the final returns of those trades are generally used or consumed in Great Britain. The trade which is carried on in British bottoms between the different ports of the Mediterranean, and some trade of the same kind carried on by British merchants between the different ports of India, make, perhaps, the principal branches of what is properly the carrying trade of Great Britain.

The possible extent of the carrying trade is much the greatest.

The extent of the home-trade and of the capital which can be employed in it, is necessarily limited by the value of the surplus produce of all those distant places within the country which have occasion to exchange their respective productions with one another. That of the foreign trade of consumption, by the value of the surplus produce of the whole country and of what can be purchased with it. That of the carrying trade, by the value of the surplus produce of all the different countries in the world. Its possible extent, therefore, is in a manner infinite in comparison of that of the other two, and is capable of absorbing the greatest capitals.

Agriculture does not yield sufficient profit to attract all the capital which it might absorb.

The consideration of his own private profit, is the sole motive which determines the owner of any capital to employ it either in agriculture, in manufactures, or in some particular branch of the wholesale or retail trade. The different quantities of productive labour which it may put into motion, and the different values which it may add to the annual produce of the land and labour of the society, according as it is employed in one or other of those different ways, never enter into his thoughts. In countries, therefore, where agriculture is the most profitable of all employments, and farming and improving the most direct roads to a splendid fortune, the capitals of individuals will naturally be employed in the manner most advantageous to the whole society. The profits of agriculture, however, seem to have no superiority over those of other employments in any part of Europe. Projectors, indeed, in every corner of it, have within these few years amused the public with most magnificent accounts of the profits to be made by the cultivation and improvement of land. Without entering into any particular discussion of their calculations, a very simple observation may satisfy us that the result of them must be false. We see every day the most splendid fortunes that have been acquired in the course of a single life by trade and manufactures, frequently from a very small capital, sometimes from no capital. A single instance of such a fortune acquired by agriculture in the same time, and from such a capital, has not, perhaps, occurred in Europe during the course of the present century. In all the great countries of Europe, however, much good land still remains uncultivated, and the greater part of what is cultivated, is far from being improved to the degree of which it is capable. Agriculture, therefore, is almost every-where capable of absorbing a much greater capital than has ever yet been employed in it. What circumstances in the policy of Europe have given the trades which are carried on in towns so great an advantage over that which is carried on in the country, that private persons frequently find it more for their advantage to employ their capitals in the most distant carrying trades of Asia and America, than in the improvement and cultivation of the most fertile fields in their own neighbourhood, I shall endeavour to explain at full length in the two following books.

The reason will be explained in the next two books.

BOOK III

Of the different Progress of Opulence in different Nations

CHAPTER I

OF THE NATURAL PROGRESS OF OPULENCE

The great commerce is that between town and country, which is obviously advantageous to both.

THE great commerce of every civilized society, is that carried on between the inhabitants of the town and those of the country. It consists in the exchange of rude for manufactured produce, either immediately, or by the intervention of money, or of some sort of paper which represents money. The country supplies the town with the means of subsistence, and the materials of manufacture. The town repays this supply by sending back a part of the manufactured produce to the inhabitants of the country. The town, in which there neither is nor can be any reproduction of substances,[1] may very properly be said to gain its whole wealth and subsistence from the country. We must not, however, upon this account, imagine that the gain of the town is the loss of the country. The gains of both are mutual and reciprocal, and the division of labour is in this, as in all other cases, advantageous to all the different persons employed in the various occupations into which it is subdivided. The inhabitants of the country purchase of the town a greater quantity of manufactured goods, with the produce of a much smaller quantity of their own labour, than they must have employed had they attempted to prepare them themselves. The town affords a market for the surplus produce of the country, or what is over and above the maintenance of the cultivators, and it is there that the inhabitants of the country exchange it for something else which is in demand among them. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country; and the more extensive that market, it is always the more advantageous to a great number. The corn which grows within a mile of the town, sells there for the same price with that which comes from twenty miles distance. But the price of the latter must generally, not only pay the expence of raising and bringing it to market, but afford too the ordinary profits of agriculture to the farmer. The proprietors and cultivators of the country, therefore, which lies in the neighbourhood of the town, over and above the ordinary profits of agriculture, gain, in the price of what they sell, the whole value of the carriage of the like produce that is brought from more distant parts, and they save, besides, the whole value of this carriage in the price of what they buy. Compare the cultivation of the lands in the neighbourhood of any considerable town, with that of those which lie at some distance from it, and you will easily satisfy yourself how much the country is benefited by the commerce of the town. Among all the absurd speculations that have been propagated concerning the balance of trade, it has never been pretended that either the country loses by its commerce with the town, or the town by that with the country which maintains it.

---

[1] [The error that agriculture produces substances and manufacture only alters them is doubtless at the bottom of much of the support gained by the theory of productive and unproductive labour.]

The cultivation of the country must be prior to the increase of the town,

As subsistence is, in the nature of things, prior to conveniency and luxury, so the industry which procures the former, must necessarily be prior to that which ministers to the latter. The cultivation and improvement of the country, therefore, which affords subsistence, must, necessarily, be prior to the increase of the town, which furnishes only the means of conveniency and luxury. It is the surplus produce of the country only, or what is over and above the maintenance of the cultivators, that constitutes the subsistence of the town, which can therefore increase only with the increase of this surplus produce. The town, indeed, may not always derive its whole subsistence from the country in its neighbourhood, or even from the territory to which it belongs, but from very distant countries; and this, though it forms no exception from the general rule, has occasioned considerable variations in the progress of opulence in different ages and nations.

though the town may sometimes be distant from the country from which it derives its subsistence.

This order of things is favoured by the natural preference of man for agriculture,

That order of things which necessity imposes in general, though not in every particular country, is, in every particular country, promoted by the natural inclinations of man. If human institutions had never thwarted those natural inclinations, the towns could no-where have increased beyond what the improvement and cultivation of the territory in which they were situated could support; till such time, at least, as the whole of that territory was completely cultivated and improved. Upon equal, or nearly equal profits, most men will chuse to employ their capitals rather in the improvement and cultivation of land, than either in manufactures or in foreign trade. The man who employs his capital in land, has it more under his view and command, and his fortune is much less liable to accidents, than that of the trader, who is obliged frequently to commit it, not only to the winds and the waves, but to the more uncertain elements of human folly and injustice, by giving great credits in distant countries to men, with whose character and situation he can seldom be thoroughly acquainted. The capital of the landlord, on the contrary, which is fixed in the improvement of his land, seems to be as well secured as the nature of human affairs can admit of. The beauty of the country besides, the pleasures of a country life, the tranquillity of mind which it promises, and wherever the injustice of human laws does not disturb it, the independency which it really affords, have charms that more or less attract every body; and as to cultivate the ground was the original destination of man, so in every stage of his existence he seems to retain a predilection for this primitive employment.

Cultivators require the assistance of artificers, who settle together and form a village, and their employment augments with the improvement of the country.

Without the assistance of some artificers, indeed, the cultivation of land cannot be carried on, but with great inconveniency and continual interruption. Smiths, carpenters, wheel-wrights, and plough-wrights, masons, and bricklayers, tanners, shoemakers, and taylors, are people, whose service the farmer has frequent occasion for. Such artificers too stand, occasionally, in need of the assistance of one another; and as their residence is not, like that of the farmer, necessarily tied down to a precise spot, they naturally settle in the neighbourhood of one another, and thus form a small town or village. The butcher, the brewer, and the baker, soon join them, together with many other artificers and retailers, necessary or useful for supplying their occasional wants, and who contribute still further to augment the town. The inhabitants of the town and those of the country are mutually the servants of one another. The town is a continual fair or market, to which the inhabitants of the country resort, in order to exchange their rude for manufactured produce.[1] It is this commerce which supplies the inhabitants of the town both with the materials of their work, and the means of their subsistence. The quantity of the finished work which they sell to the inhabitants of the country, necessarily regulates the quantity of the materials and provisions which they buy. Neither their employment nor subsistence, therefore, can augment, but in proportion to the augmentation of the demand from the country for finished work; and this demand can augment only in proportion to the extension of improvement and cultivation. Had human institutions, therefore, never disturbed the natural course of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or country.

---

[1] [This passage, from the beginning of the paragraph, may well have been suggested by Cantillon, *Essai*, pp. 11-22.]

In the American colonies an artificer who has acquired sufficient stock becomes a planter instead of manufacturing for distant sale,

In our North American colonies, where uncultivated land is still to be had upon easy terms, no manufactures for distant sale have ever yet been established in any of their towns. When an artificer has acquired a little more stock than is necessary for carrying on his own business in supplying the neighbouring country, he does not, in North America, attempt to establish with it a manufacture for more distant sale, but employs it in the purchase and improvement of uncultivated land. From artificer he becomes planter, and neither the large wages nor the easy subsistence which that country affords to artificers, can bribe him rather to work for other people than for himself. He feels that an artificer is the servant of his customers, from whom he derives his subsistence; but that a planter who cultivates his own land, and derives his necessary subsistence from the labour of his own family, is really a master, and independent of all the world.

as in countries where no uncultivated land can be procured.

In countries, on the contrary, where there is either no uncultivated land, or none that can be had upon easy terms, every artificer who has acquired more stock than he can employ in the occasional jobs of the neighbourhood, endeavours to prepare work for more distant sale. The smith erects some sort of iron, the weaver some sort of linen or woollen manufactory. Those different manufactures come, in process of time, to be gradually subdivided, and thereby improved and refined in a great variety of ways, which may easily be conceived, and which it is therefore unnecessary to explain any further.

Manufactures are naturally preferred to foreign commerce.

In seeking for employment to a capital, manufactures are, upon equal or nearly equal profits, naturally preferred to foreign commerce, for the same reason that agriculture is naturally preferred to manufactures. As the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant. In every period, indeed, of every society, the surplus part both of the rude and manufactured produce, or that for which there is no demand at home, must be sent abroad in order to be exchanged for something for which there is some demand at home. But whether the capital, which carries this surplus produce abroad, be a foreign or a domestic one, is of very little importance. If the society has not acquired sufficient capital both to cultivate all its lands, and to manufacture in the completest manner the whole of its[1] rude produce, there is even a considerable advantage that that rude produce should[2] be exported by a foreign capital, in order that the whole stock of the society may be employed in more useful purposes. The wealth of ancient Egypt, that of China and Indostan, sufficiently demonstrate that a nation may attain a very high degree of opulence, though the greater part of its exportation trade be carried on by foreigners. The progress of our North American and West Indian colonies would have been much less rapid, had no capital but what belonged to themselves been employed in exporting their surplus produce.

So the natural course of things is first agriculture, then manufactures, and finally foreign commerce.

According to the natural course of things, therefore, the greater part of the capital of every growing society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. This order of things is so very natural, that in every society that had any territory, it has always, I believe, been in some degree observed. Some of their lands must have been cultivated before any considerable towns could be established, and some sort of coarse industry of the manufacturing kind must have been carried on in those towns, before they could well think of employing themselves in foreign commerce.

But this order has been in many respects inverted.

But though this natural order of things must have taken place in some degree in every such society, it has, in all the modern states of Europe, been, in many respects, entirely inverted. The foreign commerce of some of their cities has introduced all their finer manufactures, or such as were fit for distant sale; and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order.

---

[1] [Ed. 1 reads 'their'.]

[2] [Ed. 1 reads 'considerable advantage that it should'.]

CHAPTER II

OF THE DISCOURAGEMENT OF AGRICULTURE IN THE ANCIENT STATE OF EUROPE AFTER THE FALL OF THE ROMAN EMPIRE

After the fall of the Roman Empire all the land of Western Europe was engrossed, chiefly by large proprietors.

WHEN the German and Scythian nations over-ran the western provinces of the Roman empire, the confusions which followed so great a revolution lasted for several centuries. The rapine and violence which the barbarians exercised against the ancient inhabitants, interrupted the commerce between the towns and the country. The towns were deserted, and the country was left uncultivated, and the western provinces of Europe, which had enjoyed a considerable degree of opulence under the Roman empire, sunk into the lowest state of poverty and barbarism. During the continuance of those confusions, the chiefs and principal leaders of those nations, acquired or usurped to themselves the greater part of the lands of those countries. A great part of them was uncultivated; but no part of them, whether cultivated or uncultivated, was left without a proprietor. All of them were engrossed, and the greater part by a few great proprietors.

Primogeniture and entails prevented the great estates being divided.

This original engrossing of uncultivated lands, though a great, might have been but a transitory evil. They might soon have been divided again, and broke into small parcels either by succession or by alienation. The law of primogeniture hindered them from being divided by succession: the introduction of entails prevented their being broke into small parcels by alienation.[1]

Primogeniture was introduced because every great landlord was a petty prince.

When land, like moveables, is considered as the means only of subsistence and enjoyment, the natural law of succession divides it, like them, among all the children of the family; of all of whom the subsistence and enjoyment may be supposed equally dear to the father. This natural law of succession accordingly took place among the Romans, who made no more distinction between elder and younger, between male and female, in the inheritance of lands, than we do in the distribution of moveables. But when land was considered as the means, not of subsistence merely, but of power and protection, it was thought better that it should descend undivided to one. In those disorderly times, every great landlord was a sort of petty prince. His tenants were his subjects. He was their judge, and in some respects their legislator in peace, and their leader in war. He made war according to his own discretion, frequently against his neighbours, and sometimes against his sovereign. The security of a landed estate, therefore, the protection which its owner could afford to those who dwelt on it, depended upon its greatness. To divide it was to ruin it, and to expose every part of it to be oppressed and swallowed up by the incursions of its neighbours. The law of primogeniture, therefore, came to take place, not immediately, indeed, but in process of time, in the succession of landed estates, for the same reason that it has generally taken place in that of monarchies, though not always at their first institution. That the power, and consequently the security of the monarchy, may not be weakened by division, it must descend entire to one of the children. To which of them so important a preference shall be given, must be determined by some general rule, founded not upon the doubtful distinctions of personal merit, but upon some plain and evident difference which can admit of no dispute. Among the children of the same family, there can be no indisputable difference but that of sex, and that of age. The male sex is universally preferred to the female; and when all other things are equal, the elder every-where takes place of the younger. Hence the origin of the right of primogeniture, and of what is called lineal succession.[1]

---

[1] [Primogeniture and entails are censured as inimical to agriculture in *Lectures*, pp. 120, 124, 228.]

It is now unreasonable, but supports the pride of family distinctions.

Laws frequently continue in force long after the circumstances, which first gave occasion to them, and which could alone render them reasonable, are no more. In the present state of Europe, the proprietor of a single acre of land is as perfectly secure of his possession as the proprietor of a hundred thousand. The right of primogeniture, however, still continues to be respected, and as of all institutions it is the fittest to support the pride of family distinctions, it is still likely to endure for many centuries. In every other respect, nothing can be more contrary to the real interest of a numerous family, than a right which in order to enrich one, beggars all the rest of the children.

Entails have the same origin,

Entails are the natural consequences of the law of primogeniture. They were introduced to preserve a certain lineal succession, of which the law of primogeniture first gave the idea, and to hinder any part of the original estate from being carried out of the proposed line either by gift, or devise, or alienation; either by the folly, or by the misfortune of any of its successive owners. They were altogether unknown to the Romans. Neither their substitutions nor fideicommisses bear any resemblance to entails, though some French lawyers have thought proper to dress the modern institution in the language and garb[1] of those antient ones.[2]

---

[1] [*Lectures*, pp. 117-118.]

and are now absurd.

When great landed estates were a sort of principalities, entails might not be unreasonable. Like what are called the fundamental laws of some monarchies, they might frequently hinder the security of thousands from being endangered by the caprice or extravagance of one man. But in the present state of Europe, when small as well as great estates derive their security from the laws of their country, nothing can be more completely absurd. They are founded upon the most absurd of all suppositions, the supposition that every successive generation of men have not an equal right to the earth, and to all that it possesses; but that the property of the present generation should be restrained and regulated according to the fancy of those who died perhaps five hundred years ago.[3] Entails, however, are still respected through the greater part of Europe, in those countries particularly in which noble birth is a necessary qualification for the enjoyment either of civil or military honours. Entails are thought necessary for maintaining this exclusive privilege of the nobility to the great offices and honours of their country; and that order having usurped one unjust advantage over the rest of their fellow-citizens, lest their poverty should render it ridiculous, it is thought reasonable that they should have another. The common law of England, indeed, is said to abhor perpetuities, and they are accordingly more restricted there than in any other European monarchy; though even England is not altogether without them. In Scotland more than one-fifth, perhaps more than one-third part of the whole lands of the country, are at present supposed to be[4] under strict entail.

Great proprietors are seldom great improvers.

Great tracts of uncultivated land were, in this manner, not only engrossed by particular families, but the possibility of their being divided again was as much as possible precluded for ever. It seldom happens, however, that a great proprietor is a great improver. In the disorderly times which gave birth to those barbarous institutions, the great proprietor was sufficiently employed in defending his own territories, or in extending his jurisdiction and authority over those of his neighbours. He had no leisure to attend to the cultivation and improvement of land. When the establishment of law and order afforded him this leisure, he often wanted the inclination, and almost always the requisite abilities. If the expence of his house and person either equalled or exceeded his revenue, as it did very frequently, he had no stock to employ in this manner. If he was an œconomist, he generally found it more profitable to employ his annual savings in new purchases, than in the improvement of his old estate. To improve land with profit, like all other commercial projects, requires an exact attention to small savings and small gains, of which a man born to a great fortune, even though naturally frugal, is very seldom capable. The situation of such a person naturally disposes him to attend rather to ornament which pleases his fancy, than to profit for which he has so little occasion. The elegance of his dress, of his equipage, of his house, and household furniture, are objects which from his infancy he has been accustomed to have some anxiety about. The turn of mind which this habit naturally forms, follows him when he comes to think of the improvement of land. He embellishes perhaps four or five hundred acres in the neighbourhood of his house, at ten times the expence which the land is worth after all his improvements; and finds that if he was to improve his whole estate in the same manner, and he has little taste for any other, he would be a bankrupt before he had finished the tenth part of it. There still remain in both parts of the united kingdom some great estates which have continued without interruption in the hands of the same family since the times of feudal anarchy. Compare the present condition of those estates with the possessions of the small proprietors in their neighbourhood, and you will require no other argument to convince you how unfavourable such extensive property is to improvement.[1]

---

[1] [Ed. 1 reads 'form'.]

[2] [In *Lectures*, p. 123, the Roman origin of entails appears to be accepted.]

[3] [This passage follows *Lectures*, p. 124, rather closely, reproducing even the repetition of 'absurd'.]

[4] [Ed. 1 does not contain 'supposed to be'.]

The occupiers were not likely to improve, as they were slaves attached to the land and incapable of acquiring property.

If little improvement was to be expected from such great proprietors, still less was to be hoped for from those who occupied the land under them. In the ancient state of Europe, the occupiers of land were all tenants at will. They were all or almost all slaves; but their slavery was of a milder kind than that known among the ancient Greeks and Romans, or even in our West Indian colonies. They were supposed to belong more directly to the land than to their master. They could, therefore, be sold with it, but not separately. They could marry, provided it was with the consent of their master; and he could not afterwards dissolve the marriage by selling the man and wife to different persons. If he maimed or murdered any of them, he was liable to some penalty, though generally but to a small one. They were not, however, capable of acquiring property. Whatever they acquired was acquired to their master, and he could take it from them at pleasure. Whatever cultivation and improvement could be carried on by means of such slaves, was properly carried on by their master. It was at his expence. The seed, the cattle, and the instruments of husbandry were all his. It was for his benefit. Such slaves could acquire nothing but their daily maintenance. It was properly the proprietor himself, therefore, that, in this case, occupied his own lands, and cultivated them by his own bondmen. This species of slavery still subsists in Russia, Poland, Hungary, Bohemia, Moravia, and other parts of Germany. It is only in the western and south-western provinces of Europe, that it has gradually been abolished altogether.[1]

---

[1] [This remark follows *Lectures*, p. 228. Cp. below, pp. 382, 383, 390.]

Slave labour is the dearest of all.

But if great improvements are seldom to be expected from great proprietors, they are least of all to be expected when they employ slaves for their workmen. The experience of all ages and nations, I believe, demonstrates that the work done by slaves, though it appears to cost only their maintenance, is in the end the dearest of any. A person who can acquire no property, can have no other interest but to eat as much, and to labour as little as possible. Whatever work he does beyond what is sufficient to purchase his own maintenance, can be squeezed out of him by violence only, and not by any interest of his own. In ancient Italy, how much the cultivation of corn degenerated, how unprofitable it became to the master when it fell under the management of slaves, is remarked by both Pliny and Columella.[2] In the time of Aristotle it had not been much better in ancient Greece. Speaking of the ideal republic described in the laws of Plato, to maintain five thousand idle men (the number of warriors supposed necessary for its defence) together with their women and servants, would require, he says, a territory of boundless extent and fertility, like the plains of Babylon.[3]

At present sugar and tobacco can afford slave cultivation, corn cannot.

The pride of man makes him love to domineer, and nothing mortifies him so much as to be obliged to condescend to persuade his inferiors. Wherever the law allows it, and the nature of the work can afford it, therefore, he will generally prefer the service of slaves to that of freemen. The planting of sugar and tobacco can afford the expence of slave cultivation. The raising of corn, it seems, in the present times, cannot. In the English colonies, of which the principal produce is corn, the far greater part of the work is done by freemen. The late resolution of the Quakers in Pennsylvania to set at liberty all their negro slaves,[1] may satisfy us that their number cannot be very great. Had they made any considerable part of their property, such a resolution could never have been agreed to. In our sugar colonies, on the contrary, the whole work is done by slaves, and in our tobacco colonies a very great part of it. The profits of a sugar-plantation in any of our West Indian colonies are generally much greater than those of any other cultivation that is known either in Europe or America: And the profits of a tobacco plantation, though inferior to those of sugar, are superior to those of corn, as has already been observed.[2] Both can afford the expence of slave cultivation, but sugar can afford it still better than tobacco. The number of negroes accordingly is much greater, in proportion to that of whites, in our sugar than in our tobacco colonies.

---

[1] ['A small part of the West of Europe is the only portion of the globe that is free from slavery,' 'and is nothing in comparison with the vast continents where it still prevails.'—*Lectures*, p. 96.]

[2] [Pliny, *H. N.*, lib. xviii., cap. iv. ; Columella, *De re rustica*, lib. i., præfatio.]

[3] [*Politics*, 1265*a*.]

The slaves were succeeded by metayers

To the slave cultivators of ancient times, gradually succeeded a species of farmers known at present in France by the name of Metayers. They are called in Latin, Coloni Partiarii. They have been so long in disuse in England that at present I know no English name for them. The proprietor furnished them with the seed, cattle, and instruments of husbandry, the whole stock, in short, necessary for cultivating the farm. The produce was divided equally between the proprietor and the farmer, after setting aside what was judged necessary for keeping up the stock, which was restored to the proprietor when the farmer either quitted, or was turned out of the farm.[3]

who are very different in that they can acquire property.

Land occupied by such tenants is properly cultivated at the expence of the proprietor, as much as that occupied by slaves. There is, however, one very essential difference between them. Such tenants, being freemen, are capable of acquiring property, and having a certain proportion of the produce of the land, they have a plain interest that the whole produce should be as great as possible, in order that their own proportion may be so. A slave, on the contrary, who can acquire nothing but his maintenance, consults his own ease by making the land produce as little as possible over and above that maintenance. It is probable that it was partly upon account of this advantage, and partly upon account of the encroachments which the sovereign, always jealous of the great lords, gradually encouraged their villains to make upon their authority, and which seem at last to have been such as rendered this species of servitude altogether inconvenient, that tenure in villanage gradually wore out through the greater part of Europe. The time and manner, however, in which so important a revolution was brought about, is one of the most obscure points in modern history. The church of Rome claims great merit in it; and it is certain that so early as the twelfth century, Alexander III.[1] published a bull for the general emancipation of slaves. It seems, however, to have been rather a pious exhortation, than a law to which exact obedience was required from the faithful. Slavery continued to take place almost universally for several centuries afterwards, till it was gradually abolished by the joint operation of the two interests above mentioned, that of the proprietor on the one hand, and that of the sovereign on the other. A villain enfranchised, and at the same time allowed to continue in possession of the land, having no stock of his own, could cultivate it only by means of what the landlord advanced to him, and must, therefore, have been what the French call a Metayer.

---

[1] [Raynal, *Histoire philosophique* (Amsterdam ed.), tom. vi., pp. 368-388.]

[2] [Above, p. 158; *Lectures*, p, 225.]

[3] [*Ibid.*, pp. 100, 101.]

But they could have no interest to employ stock in improvement.

It could never, however, be the interest even of this last species of cultivators to lay out, in the further improvement of the land, any part of the little stock which they might save from their own share of the produce, because the lord, who laid out nothing, was to get one-half of whatever it produced. The tithe, which is but a tenth of the produce, is found to be a very great hindrance to improvement. A tax, therefore, which amounted to one-half, must have been an effectual bar to it. It might be the interest of a metayer to make the land produce as much as could be brought out of it by means of the stock furnished by the proprietor; but it could never be his interest to mix any part of his own with it. In France, where five parts out of six of the whole kingdom are said to be still occupied by this species of cultivators,[2] the proprietors complain that their metayers take every opportunity of employing the masters cattle rather in carriage than in cultivation; because in the one case they get the whole profits to themselves, in the other they share them with their landlord. This species of tenants still subsists in some parts of Scotland. They are called steel-bow [3] tenants.

---

[1] [Raynal, *Histoire philosophique* (Amsterdam ed.), tom. i., p. 12. In *Lectures*, pp. 101, 102, Innocent III. appears in error for Alexander III.]

[2] [Probably Quesnay's estimate; cp. his article on 'Fermiers' in the *Encyclopédie*, reprinted in his *Œuvres*, ed. Oncken, 1888, pp. 160, 171.]

[3] [Garnier is certainly wrong in suggesting in his note, 'ce nom vient probablement de la manière dont ils étaient autrefois armés en guerre.'—*Recherches*, etc., tom. ii., p. 428. 'Bow' is the farming stock; 'steel' is said to indicate the nature of the contract, and eisern vieh and bestia ferri are quoted as parallels by Cosmo Innes, *Lectures on Scotch Legal Antiquities*, 1872, pp. 245, 266.]

Those ancient English tenants, who are said by Chief Baron Gilbert and Doctor Blackstone to have been rather bailiffs of the landlord than farmers properly so called, were probably of the same kind.[1]

Metayers were followed by farmers, who sometimes find it to their interest to improve when they have a lease, but leases were long insecure.

To this species of tenancy succeeded, though by very slow degrees, farmers properly so called, who cultivated the land with their own stock, paying a rent certain to the landlord. When such farmers have a lease for a term of years, they may sometimes find it for their interest to lay out part of their capital in the further improvement of the farm; because they may sometimes expect to recover it, with a large profit, before the expiration of the lease. The possession even of such farmers, however, was long extremely precarious, and still is so in many parts of Europe. They could before the expiration of their term be legally outed of their lease, by a new purchaser; in England, even by the fictitious action of a common recovery. If they were turned out illegally by the violence of their master, the action by which they obtained redress was extremely imperfect. It did not always re-instate them in the possession of the land, but gave them damages which never amounted to the real loss. Even in England, the country perhaps of Europe where the yeomanry has always been most respected, it was not till about the 14th of Henry the VIIth that the action of ejectment was invented,[2] by which the tenant recovers, not damages only but possession, and in which his claim is not necessarily concluded by the uncertain decision of a single assize. This action has been found so effectual a remedy that, in the modern practice, when the landlord has occasion to sue for the possession of the land, he seldom makes use of the actions which properly belong to him as landlord, the writ of right or the writ of entry,[3] but sues in the name of his tenant, by the writ of ejectment. In England, therefore, the security of the tenant is equal to that of the proprietor. In England besides a lease for life of forty shillings a year value is a freehold, and entitles the lessee to vote for a member of parliament; and as a great part of the yeomanry have freeholds of this kind, the whole order becomes respectable to their landlords on account of the political consideration which this gives them.[4] There is, I believe, no-where in Europe, except in England, any instance of the tenant building upon the land of which he had no lease, and trusting that the honour of his landlord would take no advantage of so important an improvement. Those laws and customs so favourable to the yeomanry,

The forty-shilling freeholder vote in England contributes to the security of the farmer.

---

[1] [Gilbert, *Treatise of Tenures*, 3rd ed., 1757, pp. 34 and 54; Blackstone, *Commentaries*, vol. ii., pp. 141, 142. The whole paragraph follows *Lectures*, p. 226, rather closely.]

[2] [M. Bacon, *New Abridgment of the Law*, 3rd ed., 1768, vol. ii., p. 160, *s.v.* Ejectment; cp. *Lectures*, p. 227.]

[3] [Blackstone, *Commentaries*, iii., 197.]

[4] [*Lectures*, pp. 227-228.]

have perhaps contributed more to the present grandeur of England, than all their boasted regulations of commerce taken together.

The law of Scotland is not quite so favourable.

The law which secures the longest leases against successors of every kind is, so far as I know, peculiar to Great Britain. It was introduced into Scotland so early as 1449, by a law of James the IId.[1] Its beneficial influence, however, has been much obstructed by entails; the heirs of entail being generally restrained from letting leases for any long term of years, frequently for more than one year. A late act of parliament[2] has, in this respect, somewhat slackened their fetters, though they are still by much too strait. In Scotland, besides, as no leasehold gives a vote for a member of parliament, the yeomanry are upon this account less respectable to their landlords than in England.

In the rest of Europe the farmer is less secure.

In other parts of Europe, after it was found convenient to secure tenants both against heirs and purchasers, the term of their security was still limited to a very short period; in France, for example, to nine years from the commencement of the lease. It has in that country, indeed, been lately extended to twenty-seven,[3] a period still too short to encourage the tenant to make the most important improvements. The proprietors of land were anciently the legislators of every part of Europe. The laws relating to land, therefore, were all calculated for what they supposed the interest of the proprietor. It was for his interest, they had imagined, that no lease granted by any of his predecessors should hinder him from enjoying, during a long term of years, the full value of his land. Avarice and injustice are always short-sighted, and they did not foresee how much this regulation must obstruct improvement, and thereby hurt in the long-run the real interest of the landlord.[4]

Customary services were vexatious to the farmer,

The farmers too, besides paying the rent, were anciently, it was supposed, bound to perform a great number of services to the landlord, which were seldom either specified in the lease, or regulated by any precise rule, but by the use and wont of the manor or barony. These services, therefore, being almost entirely arbitrary, subjected the tenant to many vexations. In Scotland the abolition of all services, not precisely stipulated in the lease,[5] has in the course of a few years very much altered for the better the condition of the yeomanry of that country.

and so also were compulsory labour on the roads,

The public services to which the yeomanry were bound, were not less arbitrary than the private ones. To make and maintain the high roads, a servitude which still subsists, I believe, every-where, though with different degrees of oppression in different countries, was not the only one. When the king's troops, when his household or his officers of any kind passed through any part of the country, the yeomanry were bound to provide them with horses, carriages, and provisions, at a price regulated by the purveyor. Great Britain is, I believe, the only monarchy in Europe where the oppression of purveyance has been entirely abolished. It still subsists in France and Germany.

---

[1] [Acts of 1449, c. 6, 'ordained for the safety and favour of the poor people that labours the ground.']

[2] [10 Geo. III., c. 51.]

[3] [Below, vol. ii., p. 176.]

[4] [*Lectures*, pp. 226, 227.]

[5] [20 Geo. II., c. 50, § 21.]

purveyance

The public taxes to which they were subject were as irregular and oppressive as the services. The ancient lords, though extremely unwilling to grant themselves any pecuniary aid to their sovereign, easily allowed him to tallage, as they called it, their tenants,[1] and had not knowledge enough to foresee how much this must in the end affect their own revenue. The taille, as it still subsists in France, may serve as an example of those ancient tallages. It is a tax upon the supposed profits of the farmer, which they estimate by the stock that he has upon the farm. It is his interest, therefore, to appear to have as little as possible, and consequently to employ as little as possible in its cultivation, and none in its improvement. Should any stock happen to accumulate in the hands of a French farmer, the taille is almost equal to a prohibition of its ever being employed upon the land. This tax besides is supposed to dishonour whoever is subject to it, and to degrade him below, not only the rank of a gentleman, but that of a burgher, and whoever rents the lands of another becomes subject to it. No gentleman, nor even any burgher who [2] has stock, will submit to this degradation. This tax, therefore, not only hinders the stock which accumulates upon the land from being employed in its improvement, but drives away all other stock from it. The ancient tenths and fifteenths,[3] so usual in England in former times, seem, so far as they affected the land, to have been taxes of the same nature with the taille.

and tallages.

Under all these discouragements, little improvement could be expected from the occupiers of land. That order of people, with all the liberty and security which law can give, must always improve under great disadvantages. The farmer compared with the proprietor, is as a merchant who trades with borrowed money compared with one who trades with his own. The stock of both may improve, but that of the one, with only equal good conduct, must always improve more slowly than that of the other, on account of the large share of the profits which is consumed by the interest of the loan. The lands cultivated by the farmer must, in the same manner, with only equal

Even under the best laws the farmer is at a disadvantage in improving, good conduct, be improved more slowly than those cultivated by the proprietor; on account of the large share of the produce which is consumed in the rent, and which, had the farmer been proprietor, he might have employed in the further improvement of the land.[1] The station of a farmer besides is, from the nature of things, inferior to that of a proprietor. Through the greater part of Europe the yeomanry are regarded as an inferior rank of people, even to the better sort of tradesmen and mechanics, and in all parts of Europe to the great merchants and master manufacturers. It can seldom happen, therefore, that a man of any considerable stock should quit the superior, in order to place himself in an inferior station. Even in the present state of Europe, therefore, little stock is likely to go from any other profession to the improvement of land in the way of farming. More does perhaps in Great Britain than in any other country, though even there the great stocks which are, in some places, employed in farming, have generally been acquired by farming, the trade, perhaps, in which of all others stock is commonly acquired most slowly. After small proprietors, however, rich and great farmers are, in every country, the principal improvers. There are more such perhaps in England than in any other European monarchy. In the republican governments of Holland and of Berne in Switzerland, the farmers are said to be not inferior to those of England.[2]

---

[1] [*Lectures*, p. 227.]

[2] [Ed. 1 reads 'that'.]

[3] [Originally tenths and fifteenths of movable goods; subsequently fixed sums levied from the parishes, and raised by them like other local rates; see Cannan, *History of Local Rates*, 1896, pp. 13-14, 18-20, 22 note, 23 note.]

but large farmers are the principal improvers after small proprietors.

The common prohibition of the export of corn and the restraints on internal trade in agricultural produce were further discouragements to agriculture.

The ancient policy of Europe was, over and above all this, unfavourable to the improvement and cultivation of land, whether carried on by the proprietor or by the farmer; first, by the general prohibition of the exportation of corn without a special licence, which seems to have been a very universal regulation; and secondly, by the restraints which were laid upon the inland commerce, not only of corn but of almost every other part of the produce of the farm, by the absurd laws against engrossers, regraters, and forestallers, and by the privileges of fairs and markets.[3] It has already been observed in what manner the prohibition of the exportation of corn, together with some encouragement given to the importation of foreign corn, obstructed the cultivation of ancient Italy, naturally the most fertile country in Europe, and at that time the seat of the greatest empire in the world.[4] To what degree such restraints upon the inland commerce of this commodity, joined to the general prohibition of exportation, must have discouraged the cultivation of countries less fertile, and less favourably circumstanced, it is not perhaps very easy to imagine.

---

[1] [*Lectures*, p. 226.]

[2] [*Essays on Husbandry* (by Walter Harte), 1764, pp. 69-80.]

[3] [Below, vol. ii., pp. 25-35.]

[4] [Above, p. 151; *Lectures*, p. 229.]

CHAPTER III

OF THE RISE AND PROGRESS OF CITIES AND TOWNS, AFTER THE FALL OF THE ROMAN EMPIRE

The townsmen were not at first favoured more than the countrymen.

THE inhabitants of cities and towns were, after the fall of the Roman empire, not more favoured than those of the country. They consisted, indeed, of a very different order of people from the first inhabitants of the ancient republics of Greece and Italy. These last were composed chiefly of the proprietors of lands, among whom the public territory was originally divided, and who found it convenient to build their houses in the neighbourhood of one another, and to surround them with a wall, for the sake of common defence. After the fall of the Roman empire, on the contrary, the proprietors of land seem generally to have lived in fortified castles on their own estates, and in the midst of their own tenants and dependants. The towns were chiefly inhabited by tradesmen and mechanics, who seem in those days to have been of servile, or very nearly of servile condition. The privileges which we find granted by ancient charters to the inhabitants of some of the principal towns in Europe, sufficiently shew what they were before those grants. The people to whom it is granted as a privilege, that they might give away their own daughters in marriage without the consent of their lord, that upon their death their own children, and not their lord, should succeed to their goods, and that they might dispose of their own effects by will, must, before those grants, have been either altogether, or very nearly in the same state of villanage with the occupiers of land in the country.

They were very nearly of servile condition,

They seem, indeed, to have been a very poor, mean set of people, who used to travel about with their goods from place to place, and from fair to fair, like the hawkers and pedlars of the present times.[1] In all the different countries of Europe then, in the same manner as in several of the Tartar governments of Asia at present, taxes used to be levied upon the persons and goods of travellers, when they passed through certain manors, when they went over certain bridges, when they carried about their goods from place to place in a fair, when they erected in it a booth or stall to sell them in. These different taxes were known in England by the names of passage, pontage, lastage, and stallage. Sometimes the king, sometimes a great lord, who had, it seems, upon some occasions, authority to do this, would grant to particular traders, to such particularly as lived in their own demesnes, a general exemption from such taxes. Such traders, though in other respects of servile, or very nearly of servile condition, were upon this account called Free-traders. They in return usually paid to their protector a sort of annual poll-tax. In those days protection was seldom granted without a valuable consideration, and this tax might, perhaps, be considered as compensation for what their patrons might lose by their exemption from other taxes. At first, both those poll-taxes and those exemptions seem to have been altogether personal, and to have affected only particular individuals, during either their lives, or the pleasure of their protectors. In the very imperfect accounts which have been published from Domesday-book, of several of the towns of England, mention is frequently made sometimes of the tax which particular burghers paid, each of them, either to the king, or to some other great lord, for this sort of protection; and sometimes of the general amount only of all those taxes.[1]

---

[1] [*Lectures*, p. 233.]

but arrived at liberty much earlier than the country people, acquiring the farm of their town,

But how servile soever may have been originally the condition of the inhabitants of the[2] towns, it appears evidently, that they arrived at liberty and independency much earlier than the occupiers of land in the country. That part of the king's revenue which arose from such poll-taxes in any particular town, used commonly to be let in farm, during a term of years for a rent certain, sometimes to the sheriff of the county, and sometimes to other persons. The burghers themselves frequently got credit enough to be admitted to farm the revenues of this sort which arose out of their own town, they becoming jointly and severally answerable for the whole rent.[3] To let a farm in this manner was quite agreeable to the usual œconomy of, I believe, the sovereigns of all the different countries of Europe; who used frequently to let whole manors to all the tenants of those manors, they becoming jointly and severally answerable for the whole rent;[1] but in return being allowed to collect it in their own way, and to pay it into the king's exchequer by the hands of their own bailiff, and being thus altogether freed from the insolence of the king's officers; a circumstance in those days regarded as of the greatest importance.

---

[1] See Brady's historical treatise of Cities and Burroughs, p. 3, &c. [Robert Brady, *Historical Treatise of Cities and Burghs or Boroughs*, 2nd ed., 1711. See, for the statements as to the position of townsmen and traders contained in these two paragraphs, esp. pp. 16, 18, and Appendix, p. 8. Cp. Hume, *History*, ed. of 1773, vol. i., p. 205, where Domesday and Brady are both mentioned. The note appears first in ed. 2.]

[2] [Ed. 1 does not contain 'the'.]

[3] See Madox Firma Burgi, [1726,] p. 18. also [Madox,] History [and Antiquities] of the Exchequer, chap. 10. sect. v. p. 223, first edition [1711. But the statement in the text above that the farm was in place of poll taxes is not supported by *Firma Burgi*, p. 251, where Madox says the 'yearly ferme of towns arose out of certain locata or demised things that yielded issues or profit,' *e.g.*, assised rents, pleas, perquisites, custom of goods,

first for a term of years and afterwards in perpetuity,

At first, the farm of the town was probably let to the burghers, in the same manner as it had been to other farmers, for a term of years only. In process of time, however, it seems to have become the general practice to grant it to them in fee, that is for ever, reserving a rent certain never afterwards to be augmented. The payment having thus become perpetual, the exemptions, in return for which it was made, naturally became perpetual too. Those exemptions, therefore, ceased to be personal, and could not afterwards be considered as belonging to individuals as individuals, but as burghers of a particular burgh, which, upon this account, was called a Free burgh, for the same reason that they had been called Free-burghers or Free-traders.

as well as other privileges equivalent to freedom,

Along with this grant, the important privileges above mentioned, that they might give away their own daughters in marriage, that their children should succeed to them, and that they might dispose of their own effects by will, were generally bestowed upon the burghers of the town to whom it was given. Whether such privileges had before been usually granted along with the freedom of trade, to particular burghers, as individuals, I know not. I reckon it not improbable that they were, though I cannot produce any direct evidence of it. But however this may have been, the principal attributes of villanage and slavery being thus taken away from them, they now, at least, became really free in our present sense of the word Freedom.

and a government of their own.

Nor was this all. They were generally at the same time erected into a commonalty or corporation, with the privilege of having magistrates and a town-council of their own, of making bye-laws for their own government, of building walls for their own defence, and of reducing all their inhabitants under a sort of military discipline, by obliging them to watch and ward; that is, as anciently understood, to guard and defend those walls against all attacks and surprises by night

---

fairs, markets, stallage, aldermanries, tolls and wharfage. It was only if these fell short of the farm, that a direct contribution from the townsmen would be levied. The note appears first in ed. 2.]

[1] [An instance is given in *Firma Burgi*, p. 21.]

as well as by day. In England they were generally exempted from suit to the hundred and county courts; and all such pleas as should arise among them, the pleas of the crown excepted, were left to the decision of their own magistrates. In other countries much greater and more extensive jurisdictions were frequently granted to them.[1]

It seems strange that sovereigns should have abandoned the prospect of increased revenue and have erected independent republics,

It might, probably, be necessary to grant to such towns as were admitted to farm their own revenues, some sort of compulsive jurisdiction to oblige their own citizens to make payment. In those disorderly times it might have been extremely inconvenient to have left them to seek this sort of justice from any other tribunal. But it must seem extraordinary that the sovereigns of all the different countries of Europe, should have exchanged in this manner for a rent certain, never more to be augmented, that branch of their revenue, which was, perhaps, of all others the most likely to be improved by the natural course of things, without either expence or attention of their own:[2] and that they should, besides, have in this manner voluntarily erected a sort of independent republics in the heart of their own dominions.

but the towns were the natural allies of the sovereign against the lords.

In order to understand this, it must be remembered, that in those days the sovereign of perhaps no country in Europe was able to protect, through the whole extent of his dominions, the weaker part of his subjects from the oppression of the great lords. Those whom the law could not protect, and who were not strong enough to defend themselves, were obliged either to have recourse to the protection of some great lord, and in order to obtain it to become either his slaves or vassals; or to enter into a league of mutual defence for the common protection of one another. The inhabitants of cities and burghs, considered as single individuals, had no power to defend themselves; but by entering into a league of mutual defence with their neighbours, they were capable of making no contemptible resistance. The lords despised the burghers, whom they considered not only as of a different order, but as a parcel of emancipated slaves, almost of a different species from themselves. The wealth of the burghers never failed to provoke their envy and indignation, and they plundered them upon every occasion without mercy or remorse. The burghers naturally hated and feared the lords. The king hated and feared them too; but though perhaps he might despise, he had no reason either to hate or fear the burghers. Mutual interest, therefore, disposed them to support the king, and the king to support them against the lords. They were the enemies of his enemies, and it was his interest to render them as secure and independent of those enemies as he could. By granting them magistrates of their own, the privilege of making bye-laws for their own government, that of building walls for their own defence, and that of reducing all their inhabitants under a sort of military discipline, he gave them all the means of security and independency of the barons which it was in his power to bestow. Without the establishment of some regular government of this kind, without some authority to compel their inhabitants to act according to some certain plan or system, no voluntary league of mutual defence could either have afforded them any permanent security, or have enabled them to give the king any considerable support. By granting them the farm of their town in fee, he took away from those whom he wished to have for his friends, and, if one may say so, for his allies, all ground of jealousy and suspicion that he was ever afterwards to oppress them, either by raising the farm rent of their town, or by granting it to some other farmer.

---

[1] See Madox Firma Burgi: See also Pfeffel in the remarkable events under Frederic II. and his successors of the house of Suabia. [This note appears first in ed. 2. In Pfeffel's *Nouvel Abrégé chronologique de l'histoire et du droit public d'Allemagne*, 1776, 'Evénements remarquables sous Frédéric II.' is a chapter heading, and subsequent chapters are headed in the same way. For the references to the power of the towns, see the index, *s.v.* Villes at the end of tom. i.]

[2] [*Lectures*, p. 40.]

The sovereigns who quarrelled most with the barons were the most liberal to the towns.

The princes who lived upon the worst terms with their barons, seem accordingly to have been the most liberal in grants of this kind to their burghs. King John of England, for example, appears to have been a most munificent benefactor to his towns.[1] Philip the First of France lost all authority over his barons. Towards the end of his reign, his son Lewis, known afterwards by the name of Lewis the Fat, consulted, according to Father Daniel, with the bishops of the royal demesnes, concerning the most proper means of restraining the violence of the great lords.[2] Their advice consisted of two different proposals. One was to erect a new order of jurisdiction by establishing magistrates and a town council in every considerable town of his demesnes. The other was to form a new militia, by making the inhabitants of those towns, under the command of their own magistrates, march out upon proper occasions to the assistance of the king. It is from this period, according to the French antiquarians,[1] that we are to date the institution of the magistrates and councils of cities in France. It was during the unprosperous reigns of the princes of the house of Suabia that the greater part of the free towns of Germany received the first grants of their privileges, and that the famous Hanseatic league first became formidable.[2]

---

[1] See Madox [*Firma Burgi*, pp. 35, 150. The note is not in ed. 1].

[2] [' L'excommunication de Philippe I. et son inapplication aux affaires avaient presque ruiné toute son autorité en France. . . . Les plus puissants vassaux de France étaient devenus plus que jamais indociles à l'égard du souverain. . . . Louis le Gros, à qui Philippe son père avait abandonné la conduite de l'état sur les dernières années de sa vie, délibera avec les évêques du domaine royal, des moyens de remédier à ces maux, et imagina avec eux une nouvelle police pour la levée des troupes, et une nouvelle forme de justice dans les villes pour empêcher l'impunité des crimes.'—G. Daniel, *Histoire de France*, 1755, vol. iii., pp. 512-513. A description of the new institutions follows, pp. 513-514.]

The city militia was often able to overpower the neighbouring lords, as in Italy and Switzerland.

The militia of the cities seems, in those times, not to have been inferior to that of the country, and as they could be more readily assembled upon any sudden occasion, they frequently had the advantage in their disputes with the neighbouring lords. In countries, such as Italy and Switzerland, in which, on account either of their distance from the principal seat of government, of the natural strength of the country itself, or of some other reason, the sovereign came to lose the whole of his authority, the cities generally became independent republics, and conquered all the nobility in their neighbourhood; obliging them to pull down their castles in the country, and to live, like other peaceable inhabitants, in the city. This is the short history of the republic of Berne, as well as of several other cities in Switzerland. If you except Venice, for of that city the history is somewhat different, it is the history of all the considerable Italian republics, of which so great a number arose and perished, between the end of the twelfth and the beginning of the sixteenth century.

In France and England the cities could not be taxed without their own consent.

In countries such as France or England, where the authority of the sovereign, though frequently very low, never was destroyed altogether, the cities had no opportunity of becoming entirely independent. They became, however, so considerable, that the sovereign could impose no tax upon them, besides the stated farm-rent of the town, without their own consent. They were, therefore, called upon to send deputies to the general assembly of the states of the kingdom, where they might join with the clergy and the barons in granting, upon urgent occasions, some extraordinary aid to the king. Being generally too more favourable to his power, their deputies seem, sometimes, to have been employed by him as a counter-balance in those assemblies to the authority of the great lords.[3] Hence the origin of the representation of burghs in the states general of all the great monarchies in Europe.

In consequence of this greater

Order and good government, and along with them the liberty and security of individuals, were, in this manner, established in cities, at a time when the occupiers of land in the country were exposed to every sort of violence. But men in this defenceless state naturally content themselves with their necessary subsistence; because to acquire more might only tempt the injustice of their oppressors. On the contrary, when they are secure of enjoying the fruits of their industry, they naturally exert it to better their condition and to acquire not only the necessaries, but the conveniencies and elegancies of life. That industry, therefore, which aims at something more than necessary subsistence, was established in cities long before it was commonly practised by the occupiers of land in the country. If in the hands of a poor cultivator, oppressed with the servitude of villanage, some little stock should accumulate, he would naturally conceal it with great care from his master, to whom it would otherwise have belonged, and take the first opportunity of running away to a town. The law was at that time so indulgent to the inhabitants of towns, and so desirous of diminishing the authority of the lords over those of the country, that if he could conceal himself there from the pursuit of his lord for a year, he was free for ever.[1] Whatever stock, therefore, accumulated in the hands of the industrious part of the inhabitants of the country, naturally took refuge in cities, as the only sanctuaries in which it could be secure to the person that acquired it.

---

[1] [Possibly Du Cange (who is referred to in the margin of Daniel, p. 514, and by Hume, *History*, ed. 1773, vol. ii., p. 118), *Glossarium*, *s.v.* Commune, communia, etc., 'Primus vero ejus modi *Communias* in Francia Ludov. VII. [? VI.] rex multiplicavit et auxit.']

[2] See Pfeffel. [Reference above, p. 374 note. The note is not in ed. 1.]

[3] [Ed. 1 places 'in those assemblies' here instead of in the line above; see *Lectures*, p. 41.]

security of the towns industry flourished and stock accumulated there earlier than in the country.

The inhabitants of a city, it is true, must always ultimately derive their subsistence, and the whole materials and means of their industry, from the country. But those of a city, situated near either the sea-coast or the banks of a navigable river, are not necessarily confined to derive them from the country in their neighbourhood. They have a much wider range, and may draw them from the most remote corners of the world, either in exchange for the manufactured produce of their own industry, or by performing the office of carriers between distant countries, and exchanging the produce of one for that of another. A city might in this manner grow up to great wealth and splendor, while not only the country in its neighbourhood, but all those to which it traded, were in poverty and wretchedness. Each of those countries, perhaps, taken singly, could afford it but a small part, either of its subsistence, or of its employment; but all of them taken together could afford it both a great subsistence and a great employment. There were, however, within the narrow circle of the commerce of those times, some countries that were opulent and industrious. Such was the Greek empire as long as it subsisted, and that of the Saracens during the reigns of the Abassides. Such too was Egypt till it was

Cities on the sea-coast or on navigable rivers are not dependent on the neighbouring country.

---

[1] [*Lectures*, p. 40.]

conquered by the Turks, some part of the coast of Barbary, and all those provinces of Spain which were under the government of the Moors.

The cities of Italy were the first to grow opulent, being centrally situated and benefited by the crusades.

The cities of Italy seem to have been the first in Europe which were raised by commerce to any considerable degree of opulence. Italy lay in the centre of what was at that time the improved and civilized part of the world. The crusades too, though, by the great waste of stock and destruction of inhabitants which they occasioned, they must necessarily have retarded the progress of the greater part of Europe, were extremely favourable to that of some Italian cities. The great armies which marched from all parts to the conquest of the Holy Land, gave extraordinary encouragement to the shipping of Venice, Genoa, and Pisa, sometimes in transporting them thither, and always in supplying them with provisions. They were the commissaries, if one may say so, of those armies; and the most destructive frenzy that ever befel the European nations,[1] was a source of opulence to those republics.

The cities imported manufactures and luxuries from richer countries, which were paid for by rude produce.

The inhabitants of trading cities, by importing the improved manufactures and expensive luxuries of richer countries, afforded some food to the vanity of the great proprietors, who eagerly purchased them with great quantities of the rude produce of their own lands. The commerce of a great part of Europe in those times, accordingly, consisted chiefly in the exchange of their own rude, for the manufactured produce of more civilized nations. Thus the wool of England used to be exchanged for the wines of France, and the fine cloths of Flanders, in the same manner as the corn of[2] Poland is at this day exchanged for the wines and brandies of France, and for the silks and velvets of France and Italy.

Demand for such manufactured articles having become considerable, their manufacture was established in the cities.

A taste for the finer and more improved manufactures, was in this manner introduced by foreign commerce into countries where no such works were carried on. But when this taste became so general as to occasion a considerable demand, the merchants, in order to save the expence of carriage, naturally endeavoured to establish some manufactures of the same kind in their own country. Hence the origin of the first manufactures for distant sale that seem to have been established in the western provinces of Europe, after the fall of the Roman empire.

All countries have some manufactures.

No large country, it must be observed, ever did or could subsist without some sort of manufactures being carried on in it; and when it is said of any such country that it has no manufactures, it must always be understood of the finer and more improved, or of such as are fit for distant sale. In every large country, both the clothing and houshold furniture of the far greater part of the people, are the produce of their own industry. This is even more universally the case in those poor countries which are commonly said to have no manufactures, than in those rich ones that are said to abound in them. In the latter, you will generally find, both in the clothes and houshold furniture of the lowest rank of people, a much greater proportion of foreign productions than in the former.

---

[1] ['The most signal and most durable monument of human folly that has yet appeared in any age or nation,' Hume, *History*, ed. of 1773, vol. i., p. 292; 'this universal frenzy,' *ibid.*, p. 298, of ed. 1770, vol. i., p. 327, but in his 1st ed. Hume wrote 'universal madness'.]

[2] [Misprinted 'in' in ed. 5.]

Those manufactures which are fit for distant sale, seem to have been introduced into different countries in two different ways.

Sometimes manufactures for distant sale are introduced in imitation of foreign manufactures.

Sometimes they have been introduced, in the manner above mentioned, by the violent operation, if one may say so, of the stocks of particular merchants and undertakers, who established them in imitation of some foreign manufactures of the same kind. Such manufactures, therefore, are the offspring of foreign commerce, and such seem to have been the ancient manufactures of silks, velvets, and brocades, which flourished in Lucca, during[1] the thirteenth century. They were banished from thence by the tyranny of one of Machiavel's heroes, Castruccio Castracani. In 1310, nine hundred families were driven out of Lucca, of whom thirty-one retired to Venice, and offered to introduce there the silk manufacture.[2] Their offer was accepted; many privileges were conferred upon them, and they began the manufacture with three hundred workmen. Such too seem to have been the manufactures of fine cloths that anciently flourished in Flanders, and which were introduced into England in the beginning of the reign of Elizabeth; and such are the present silk manufacturesof Lyons and Spital-fields. Manufactures introduced in this manner are generally employed upon foreign materials, being[3] imitations of foreign manufactures. When the Venetian manufacture was first established, the materials were all brought from Sicily and the Levant. The more ancient manufacture of Lucca was likewise carried on with foreign materials. The cultivation of mulberry trees, and the breeding of silkworms, seem[4] not to have been common in the northern parts of Italy before the sixteenth century. Those arts were not introduced into France till the reign of Charles IX.[5] The manufactures of Flanders were carried on chiefly with Spanish and English wool. Spanish wool was the material, not of the first woollen manufacture of England, but of the first that was fit for distant sale. More than one half the materials of the Lyons manufacture is at this day foreign silk; when it was first established, the whole or very nearly the whole was so. No part of the materials of the Spital-fields manufacture is ever likely to be the produce of England. The seat of such manufactures, as they are generally introduced by the scheme and project of a few individuals, is sometimes established in a maritime city, and sometimes in an inland town, according as their interest, judgment or caprice happen to determine.

---

[1] [Ed. 1 reads 'that were introduced into Venice in the beginning of'.]

[2] See Sandi Istoria Civile de Vinezia, Part 2. vol. i. page 247, and 256. [Vettor Sandi, *Principj di storia civile della Repubblica di Venezia*, Venice, 1755. The pages should be 257, 258. This note and the three sentences in the text which the reference covers, from 'They were banished' to 'three hundred workmen,' appear first in ed. 2.]

[3] [Ed. 1 reads 'being in'.]

[4] [Ed. 1 reads 'seems'.]

[5] [Ed. 1 (beginning six lines higher up), 'When the Venetian manufacture flourished, there was not a mulberry tree, nor consequently a silkworm, in all Lombardy. They brought the materials from Sicily and from the Levant, the manufacture itself being in imitation of

Sometimes they have grown up out of the coarser home manufactures.

At other times manufactures for distant sale grow up naturally, and as it were of their own accord, by the gradual refinement of those houshold and coarser manufactures which must at all times be carried on even in the poorest and rudest countries. Such manufactures are generally employed upon the materials which the country produces, and they seem frequently to have been first refined and improved in such inland countries as were, not indeed at a very great, but at a considerable distance from the sea coast, and sometimes even from all water carriage. An inland country naturally fertile and easily cultivated, produces a great surplus of provisions beyond what is necessary for maintaining the cultivators, and on account of the expence of land carriage, and inconveniency of river navigation, it may frequently be difficult to send this surplus abroad. Abundance, therefore, renders provisions cheap, and encourages a great number of workmen to settle in the neighbourhood, who find that their industry can there procure them more of the necessaries and conveniencies of life than in other places. They work up the materials of manufacture which the land produces, and exchange their finished work, or what is the same thing the price of it, for more materials and provisions. They give a new value to the surplus part of the rude produce, by saving the expence of carrying it to the water side, or to some distant market; and they furnish the cultivators with something in exchange for it that is either useful or agreeable to them, upon easier terms than they could have obtained it before. The cultivators get a better price for their surplus produce, and can purchase cheaper other conveniencies which they have occasion for. They are thus both encouraged and enabled to increase this surplus produce by a further improvement and better

---

those carried on in the Greek empire. Mulberry trees were first planted in Lombardy in the beginning of the sixteenth century, by the encouragement of Ludovico Sforza, Duke of Milan.']

cultivation of the land; and as the fertility of the land had given birth to the manufacture, so the progress of the manufacture re-acts upon the land, and increases still further its fertility. The manufacturers first supply the neighbourhood, and afterwards, as their work improves and refines, more distant markets. For though neither the rude produce, nor even the coarse manufacture, could, without the greatest difficulty, support the expence of a considerable land carriage, the refined and improved manufacture easily may. In a small bulk it frequently contains the price of a great quantity of rude produce. A piece of fine cloth, for example, which weighs only eighty pounds, contains in it, the price, not only of eighty pounds weight of wool, but sometimes of several thousand weight of corn, the maintenance of the different working people, and of their immediate employers. The corn, which could with difficulty have been carried abroad in its own shape, is in this manner virtually exported in that of the complete manufacture, and may easily be sent to the remotest corners of the world. In this manner have grown up naturally, and as it were of their own accord, the manufactures of Leeds, Halifax, Sheffield, Birmingham, and Wolverhampton. Such manufactures are the offspring of agriculture. In the modern history of Europe, their extension and improvement have generally been posterior to those which were the offspring of foreign commerce. England was noted for the manufacture of fine cloths made of Spanish wool, more than a century before any of those which now flourish in the places above mentioned were fit for foreign sale. The extension and improvement of these last could not take place but in consequence of the extension and improvement of agriculture, the last and greatest effect of foreign commerce, and of the manufactures immediately introduced by it, and which I shall now proceed to explain.

CHAPTER IV

HOW THE COMMERCE OF THE TOWNS CONTRIBUTED TO THE IMPROVEMENT OF THE COUNTRY

The rise of towns benefited the country,

THE increase and riches of commercial and manufacturing towns, contributed to the improvement and cultivation of the countries to which they belonged, in three different ways.

because they afforded (1) already market for its produce,

First, by affording a great and ready market for the rude produce of the country, they gave encouragement to its cultivation and further improvement. This benefit was not even confined to the countries in which they were situated, but extended more or less to all those with which they had any dealings. To all of them they afforded a market for some part either of their rude or manufactured produce, and consequently gave some encouragement to the industry and improvement of all. Their own country, however, on account of its neighbourhood, necessarily derived the greatest benefit from this market. Its rude produce being charged with less carriage, the traders could pay the growers a better price for it, and yet afford it as cheap to the consumers as that of more distant countries.

(2) because merchants bought land in the country and improved it,

Secondly, the wealth acquired by the inhabitants of cities was frequently employed in purchasing such lands as were to be sold, of which a great part would frequently be uncultivated. Merchants are commonly ambitious of becoming country gentlemen, and when they do, they are generally the best of all improvers. A merchant is accustomed to employ his money chiefly in profitable projects; whereas a mere country gentleman is accustomed to employ it chiefly in expence. The one often sees his money go from him and return to him again with a profit: the other, when once he parts with it, very seldom expects to see any more of it. Those different habits naturally affect their temper and disposition in every sort of business. A merchant is commonly a bold; a country gentleman, a timid undertaker. The one is not afraid to lay out at once a large capital upon the improvement of his land, when he has a probable prospect of raising the value of it in proportion to the expence. The other, if he has any capital, which is not always the case, seldom ventures to employ it in this manner. If he improves at all, it is commonly not with a capital, but with what he can save out of his annual revenue. Whoever has had the fortune to live in a mercantile town situated in an unimproved country, must have frequently observed how much more spirited the operations of merchants were in this way, than those of mere country gentlemen.[1] The habits, besides, of order, œconomy and attention, to which mercantile business naturally forms a merchant, render him much fitter to execute, with profit and success, any project of improvement.

and (3) because order and good government were introduced.

Thirdly, and lastly, commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours, and of servile dependency upon their superiors. This, though it has been the least observed, is by far the most important of all their effects. Mr. Hume[2] is the only writer who, so far as I know, has hitherto taken notice of it.

Before foreign commerce and fine manufactures are introduced great proprietors are surrounded by bands of retainers,

In a country which has neither foreign commerce, nor any of the finer manufactures, a great proprietor, having nothing for which he can exchange the greater part of the produce of his lands which is over and above the maintenance of the cultivators, consumes the whole in rustic hospitality at home. If this surplus produce is sufficient to maintain a hundred or a thousand men, he can make use of it in no other way than by maintaining a hundred or a thousand men. He is at all times, therefore, surrounded with a multitude of retainers and dependants, who having no equivalent to give in return for their maintenance, but being fed entirely by his bounty, must obey him, for the same reason that soldiers must obey the prince who pays them. Before the extension of commerce and manufactures in Europe, the hospitality of the rich and the great, from the sovereign down to the smallest baron, exceeded every thing which in the present times we can easily form a notion of. Westminster hall was the dining-room of William Rufus, and might frequently, perhaps, not be too large for his company. It was reckoned a piece of magnificence in Thomas Becket, that he strowed the floor of his hall with clean hay or rushes in the season, in order that the knights and squires, who could not get seats, might not spoil their fine clothes when they sat down on the floor to eat their dinner.[1] The great earl of Warwick is said to have entertained every day at his different manors, thirty thousand people; and though the number here may have been exaggerated, it must, however, have been very great to admit of such exaggeration.[2] A hospitality nearly of the same kind was exercised not many years ago in many different parts of the highlands of Scotland. It seems to be common in all nations to whom commerce and manufactures are little known. I have seen, says Doctor Pocock, an Arabian chief dine in the streets of a town where he had come to sell his cattle, and invite all passengers, even common beggars, to sit down with him and partake of his banquet.[3]

---

[1] [Above, p. 363.]

[2] ['Of Commerce' and 'Of Luxury' in *Political Discourses*, 1752, and *History*, ed. of 1773, vol. iii., p. 400.]

and tenants at will were just as dependent as retainers.

The occupiers of land were in every respect as dependent upon the great proprietor as his retainers. Even such of them as were not in a state of villanage, were tenants at will, who paid a rent in no respect equivalent to the subsistence which the land afforded them. A crown, half a crown, a sheep, a lamb, was some years ago in the highlands of Scotland a common rent for lands which maintained a family. In some places it is so at this day; nor will money at present purchase a greater quantity of commodities there than in other places. In a country where the surplus produce of a large estate must be consumed upon the estate itself, it will frequently be more convenient for the proprietor, that part of it be consumed at a distance from his own house, provided they who consume it are as dependent upon him as either his retainers or his menial servants. He is thereby saved from the embarrassment of either too large a company or too large a family. A tenant at will, who possesses land sufficient to maintain his family for little more than a quit-rent, is as dependent upon the proprietor as any servant or retainer whatever, and must obey him with as little reserve. Such a proprietor, as he feeds his servants and retainers at his own house, so he feeds his tenants at their houses. The subsistence of both is derived from his bounty, and its continuance depends upon his good pleasure.

The power of the ancient barons

Upon the authority which the great proprietors necessarily had in such a state of things over their tenants and retainers, was founded the power of the ancient barons. They necessarily became the judges in peace, and the leaders in war, of all who dwelt upon their estates. They could maintain order and execute the law within their respective demesnes, because each of them could there turn the whole force of all the inhabitants against the injustice of any one. No other person had sufficient authority to do this. The king in particular had not. In those ancient times he was little more than the greatest proprietor in his dominions, to whom, for the sake of common defence against their common enemies, the other great proprietors paid certain respects. To have enforced payment of a small debt within the lands of a great proprietor, where all the inhabitants were armed and accustomed to stand by one another, would have cost the king, had he attempted it by his own authority, almost the same effort as to extinguish a civil war. He was, therefore, obliged to abandon the administration of justice through the greater part of the country, to those who were capable of administering it; and for the same reason to leave the command of the country militia to those whom that militia would obey.

---

[1] [Evidently from Hume, *History*, ed. of 1773, vol. i., p. 384.]

[2] [' No less than 30,000 persons are said to have daily lived at his board in the different manors and castles which he possessed in England.'—Hume, *History*, ed. of 1773, vol. iii., p. 182. In *Lectures*, p. 42, it had been ' 40,000 people, besides tenants '.]

[3] [' An Arab prince will often dine in the street, before his door, and call to all that pass, even beggars, in the usual expression, Bismillah, that is, In the name of God; who come and sit down, and when they have done, give their Hamdellilah, that is, God be praised. For the Arabs are great levellers, put everybody on a footing with them; and it is by such generosity and hospitality that they maintain their interest.'—Richard Pococke, *Description of the East*, 1743, vol. i., p. 183.]

was founded on this.

It was anterior to and independent of the feudal law.

It is a mistake to imagine that those territorial jurisdictions took their origin from the feudal law. Not only the highest jurisdictions both civil and criminal, but the power of levying troops, of coining money, and even that of making bye-laws for the government of their own people, were all rights possessed allodially by the great proprietors of land several centuries before even the name of the feudal law was known in Europe. The authority and jurisdiction of the Saxon lords in England, appear[1] to have been as great before the conquest, as that of any of the Norman lords after it. But the feudal law is not supposed to have become the common law of England till after the conquest.[2] That the most extensive authority and jurisdictions were possessed by the great lords in France allodially, long before the feudal law was introduced into that country, is a matter of fact that admits of no doubt. That authority and those jurisdictions all necessarily flowed from the state of property and manners just now described. Without remounting to the remote antiquities of either the French or English monarchies, we may find in much later times many proofs that such effects must always flow from such causes. It is not thirty years ago since Mr. Cameron of Lochiel, a gentleman of Lochabar in Scotland, without any legal warrant whatever, not being what was then called a lord of regality, nor even a tenant in chief, but a vassal of the duke of Argyle, and without being so much as a justice of peace, used, notwithstanding, to exercise the highest criminal jurisdiction over his own people. He is said to have done so with great equity, though without any of the formalities of justice; and it is not improbable that the state of that part of the country at that time made it necessary for him to assume this authority in order to maintain the public peace. That gentleman, whose rent never exceeded five hundred pounds a year, carried, in 1745, eight hundred of his own people into the rebellion with him.[1]

---

[1] [Eds. 1 and 2 read 'appears'.]

[2] [Hume, *History*, ed. of 1773, i., 224.]

It was moderated by the feudal law,

The introduction of the feudal law, so far from extending, may be regarded as an attempt to moderate the authority of the great allodial lords.[2] It established a regular subordination, accompanied with a long train of services and duties, from the king down to the smallest proprietor. During the minority of the proprietor, the rent, together with the management of his lands, fell into the hands of his immediate superior, and, consequently, those of all great proprietors into the hands of the king, who was charged with the maintenance and education of the pupil, and who, from his authority as guardian, was supposed to have a right of disposing of him in marriage, provided it was in a manner not unsuitable to his rank. But though this institution necessarily tended to strengthen the authority of the king, and to weaken that of the great proprietors, it could not do either sufficiently for establishing order and good government among the inhabitants of the country; because it could not alter sufficiently that state of property and manners from which the disorders arose. The authority of government still continued to be, as before, too weak in the head and too strong in the inferior members, and the excessive strength of the inferior members was the cause of the weakness of the head. After the institution of feudal subordination, the king was as incapable of restraining the violence of the great lords as before. They still continued to make war according to their own discretion, almost continually upon one another, and very frequently upon the king; and the open country still continued to be a scene of violence, rapine, and disorder.

and undermined by foreign commerce.

But what all the violence of the feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufactures gradually brought about. These gradually furnished the great proprietors with something for which they could exchange the whole surplus produce of their lands, and which they could consume themselves without sharing it either with tenants or retainers. All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles perhaps, or for something as frivolous and useless, they exchanged the maintenance, or what is the same thing, the price of the maintenance of a thousand men for a year, and with it the whole weight and authority which it could give them. The buckles, however, were to be all their own, and no other human creature was to have any share of them; whereas in the more ancient method of expence they must have shared with at least a thousand people. With the judges that were to determine the preference, this difference was perfectly decisive; and thus, for the gratification of the most childish, the meanest and the most sordid of all vanities, they gradually bartered their whole power and authority.[1]

---

[1] ['The Highlands of Scotland have long been entitled by law to every privilege of British subjects; but it was not till very lately that the common people could in fact enjoy those privileges.'—Hume, *History*, vol. i., p. 214, ed. of 1773. Cp. *Lectures*, p. 116.]

[2] [*Lectures*, pp. 38, 39.]

At present a rich man maintains in all as many persons as an ancient baron, but he contributes only a small portion of the maintenance of each person.

In a country where there is no foreign commerce, nor any of the finer manufactures, a man of ten thousand a year cannot well employ his revenue in any other way than in maintaining, perhaps, a thousand families, who are all of them necessarily at his command. In the present state of Europe, a man of ten thousand a year can spend his whole revenue, and he generally does so, without directly maintaining twenty people, or being able to command more than ten footmen not worth the commanding. Indirectly, perhaps, he maintains as great or even a greater number of people than he could have done by the ancient method of expence. For though the quantity of precious productions for which he exchanges his whole revenue be very small, the number of workmen employed in collecting and preparing it, must necessarily have been very great. Its great price generally arises from the wages of their labour, and the profits of all their immediate employers. By paying that price he indirectly pays all those wages and profits, and thus indirectly contributes to the maintenance of all the workmen and their employers. He generally contributes, however, but a very small proportion to that of each, to very few perhaps a tenth, to many not a hundredth, and to some not a thousandth, nor even a ten thousandth part of their whole annual maintenance. Though he contributes, therefore, to the maintenance of them all, they are all more or less independent of him, because generally they can all be maintained without him.

When the great proprietors of land spend their rents in maintaining their tenants and retainers, each of them maintains entirely all his own tenants and all his own retainers. But when they spend them in maintaining tradesmen and artificers, they may, all of them taken together, perhaps, maintain as great, or, on account of the waste which attends rustic hospitality, a greater number of people than before. Each of them, however, taken singly, contributes often but a very small share to the maintenance of any individual of this greater number. Each tradesman or artificer derives his subsistence from the employment, not of one, but of a hundred or a thousand different customers. Though in some measure obliged to them all, therefore, he is not absolutely dependent upon any one of them.

---

[1] [Hume, *History*, ed. of 1773, vol. iii., p. 400; vol. v., p. 488.]

To meet their new expenses the great proprietors dismissed their retainers and their unnecessary tenants, and gave the remaining tenants long leases,

The personal expence of the great proprietors having in this manner gradually increased, it was impossible that the number of their retainers should not as gradually diminish, till they were at last dismissed altogether. The same cause gradually led them to dismiss the unnecessary part of their tenants. Farms were enlarged, and the occupiers of land, notwithstanding the complaints of depopulation, reduced to the number necessary for cultivating it, according to the imperfect state of cultivation and improvement in those times. By the removal of the unnecessary mouths, and by exacting from the farmer the full value of the farm, a greater surplus, or what is the same thing, the price of a greater surplus, was obtained for the proprietor, which the merchants and manufacturers soon furnished him with a method of spending upon his own person in the same manner as he had done the rest. The same cause continuing to operate, he was desirous to raise his rents above what his lands, in the actual state of their improvement, could afford. His tenants could agree to this upon one condition only, that they should be secured in their possession, for such a term of years as might give them time to recover with profit whatever they should lay out in the further improvement of the land. The expensive vanity of the landlord made him willing to accept of this condition; and hence the origin of long leases.

thus making them independent.

Even a tenant at will, who pays the full value of the land, is not altogether dependent upon the landlord. The pecuniary advantages which they receive from one another, are mutual and equal, and such a tenant will expose neither his life nor his fortune in the service of the proprietor. But if he has a lease for a long term of years, he is altogether independent; and his landlord must not expect from him even the most trifling service beyond what is either expressly stipulated in the lease, or imposed upon him by the common and known law of the country.

The great proprietors thus became insignificant.

The tenants having in this manner become independent, and the retainers being dismissed, the great proprietors were no longer capable of interrupting the regular execution of justice, or of disturbing the peace of the country. Having sold their birth-right, not like Esau for a mess of pottage in time of hunger and necessity, but in the wantonness of plenty, for trinkets and baubles, fitter to be the play-things of children than the serious pursuits of men, they became as insignificant as any substantial burgher or tradesman in a city. A regular government was established in the country as well as in the city, nobody having sufficient power to disturb its operations in the one, any more than in the other.

Old families are rare in commercial countries.

It does not, perhaps, relate to the present subject, but I cannot help remarking it, that very old families, such as have possessed some considerable estate from father to son for many successive generations, are very rare in commercial countries. In countries which have little commerce, on the contrary, such as Wales or the highlands of Scotland, they are very common. The Arabian histories seem to be all full of genealogies, and there is a history written by a Tartar Khan, which has been translated into several European languages, and which contains scarce any thing else;[1] a proof that ancient families are very common among those nations. In countries where a rich man can spend his revenue in no other way than by maintaining as many people as it can maintain, he is not apt to run out, and his benevolence it seems is seldom so violent as to attempt to maintain more than he can afford. But where he can spend the greatest revenue upon his own person, he frequently has no bounds to his expence, because he frequently has no bounds to his vanity, or to his affection for his own person. In commercial countries, therefore, riches, in spite of the most violent regulations of law to prevent their dissipation, very seldom remain long in the same family. Among simple nations, on the contrary, they frequently do without any regulations of law: for among nations of shepherds, such as the Tartars and Arabs, the consumable nature of their property necessarily renders all such regulations impossible.

A revolution was thus insensibly brought about,

A revolution of the greatest importance to the public happiness, was in this manner brought about by two different orders of people, who had not the least intention to serve the public. To gratify the most childish vanity was the sole motive of the great proprietors. The merchants and artificers, much less ridiculous, acted merely from a view to their own interest, and in pursuit of their own pedlar principle of turning a penny wherever a penny was to be got. Neither of them had either knowledge or foresight of that great revolution which the folly of the one, and the industry of the other, was gradually bringing about.

---

[1] [*Histoire généalogique des Tatars traduite du manuscript Tartare D'Abulgasi-Bayadur-chan et enrichie d'un grand nombre de remarques authentiques et très curieuses sur le véritable estat present de l'Asie septentrionale avec les cartes géographiques nécessaires*, par D., Leyden, 1726. The preface says some Swedish officers imprisoned in Siberia had it translated into Russian and then retranslated it themselves into various other languages.]

and commerce and manufactures became the cause of the improvement of the country.

It is thus that through the greater part of Europe the commerce and manufactures of cities, instead of being the effect, have been the cause and occasion of the improvement and cultivation of the country.

This order of things is both slow and uncertain compared with the natural order, as may be shown by the rapid progress of the North American colonies,

This order, however, being contrary to the natural course of things, is necessarily both slow and uncertain. Compare the slow progress of those European countries of which the wealth depends very much upon their commerce and manufactures, with the rapid advances of our North American colonies, of which the wealth is founded altogether in agriculture. Through the greater part of Europe, the number of inhabitants is not supposed to double in less than five hundred years. In several of our North American colonies, it is found to double in twenty or five-and-twenty years.[1] In Europe the law of primogeniture, and perpetuities of different kinds, prevent the division of great estates, and thereby hinder the multiplication of small proprietors. A small proprietor, however, who knows every part of his little territory, who[2] views it all with[3] the affection which property, especially small property, naturally inspires, and who upon that account takes pleasure not only in cultivating but in adorning it, is generally of all improvers the most industrious, the most intelligent, and the most successful.[4] The same regulations, besides, keep so much land out of the market, that there are always more capitals to buy than there is land to sell, so that what is sold always sells at a monopoly price. The rent never pays the interest of the purchase-money, and is besides burdened with repairs and other occasional charges, to which the interest of money is not liable. To purchase land is every-where in Europe a most unprofitable employment of a small capital. For the sake of the superior security, indeed, a man of moderate circumstances, when he retires from business, will sometimes chuse to lay out his little capital in land. A man of profession too, whose revenue is derived from another source, often loves to secure his savings in the same way. But a young man, who, instead of applying to trade or to some profession, should employ a capital of two or three thousand pounds in the purchase and cultivation of a small piece of land, might indeed expect to live very happily, and very independently, but must bid adieu, for ever, to all hope of either great fortune or great illustration, which by a different employment of his stock he might have had the same chance of acquiring with other people. Such a person too, though he cannot aspire at being a proprietor, will often disdain to be a farmer. The small quantity of land, therefore, which is brought to market, and the high price of what is brought thither,[1] prevents a great number of capitals from being employed in its cultivation and improvement which would otherwise have taken that direction. In North America, on the contrary, fifty or sixty pounds is often found a sufficient stock to begin a plantation with. The purchase and improvement of uncultivated land, is there the most profitable employment of the smallest as well as of the greatest capitals, and the most direct road to all the fortune and illustration which can be acquired in that country. Such land, indeed, is in North America to be had almost for nothing, or at a price much below the value of the natural produce; a thing impossible in Europe, or, indeed, in any country where all lands have long been private property. If landed estates, however, were divided equally among all the children, upon the death of any proprietor who left a numerous family, the estate would generally be sold. So much land would come to market, that it could no longer sell at a monopoly price. The free rent of the land would go nearer to pay the interest of the purchase-money, and a small capital might be employed in purchasing land as profitably as in any other way.

---

[1] [Above, p. 72, note.]

[2] [Ed. 5 omits 'who' by a misprint.]

[3] [Eds. 2-5 read 'with all,' doubtless a corruption.]

[4] [Cp. above, p. 363.]

and the slow progress of England in agriculture in spite of favours accorded to it

England, on account of the natural fertility of the soil, of the great extent of the[2] sea-coast in proportion to that of the whole country, and of the many navigable rivers which run through it, and afford the conveniency of water carriage to some of the most inland parts of it, is perhaps as well fitted by nature as any large country in Europe, to be the seat of foreign commerce, of manufactures for distant sale, and of all the improvements which these can occasion. From the beginning of the reign of Elizabeth too, the English legislature has been peculiarly attentive to the interests of commerce and manufactures, and in reality there is no country in Europe, Holland itself not excepted, of which the law is, upon the whole, more favourable to this sort of industry. Commerce and manufactures have accordingly been continually advancing during all this period. The cultivation and improvement of the country has, no doubt, been gradually advancing too: But it seems to have followed slowly, and at a distance, the more rapid progress of commerce and manufactures. The greater part of the country must probably have been cultivated before the reign of Elizabeth; and a very great part of it still remains uncultivated, and the cultivation of the far greater part, much inferior to what it might be. The law of England, however, favours agriculture not only indirectly by the protection of commerce, but by several direct encouragements. Except in times of scarcity, the exportation of corn is not only free, but encouraged by a bounty. In times of moderate plenty, the importation of foreign corn is loaded with duties that amount to a prohibition. The importation of live cattle, except from Ireland, is prohibited at all times,[1] and it is but of late that it was permitted from thence.[2] Those who cultivate the land, therefore, have a monopoly against their countrymen for the two greatest and most important articles of land produce, bread and butcher's meat. These encouragements, though at bottom, perhaps, as I shall endeavour to show hereafter,[3] altogether illusory, sufficiently demonstrate at least the good intention of the legislature to favour agriculture. But what is of much more importance than all of them, the yeomanry of England are rendered as secure, as independent, and as respectable as law can make them. No country, therefore, in which the right of primogeniture takes place, which pays tithes, and where perpetuities, though contrary to the spirit of the law, are admitted in some cases, can give more encouragement to agriculture than England. Such, however, notwithstanding, is the state of its cultivation. What would it have been, had the law given no direct encouragement to agriculture besides what arises indirectly from the progress of commerce, and had left the yeomanry in the same condition as in most other countries of Europe? It is now more than two hundred years since the beginning of the reign of Elizabeth, a period as long as the course of human prosperity usually endures.

---

[1] [Ed. 1 does not contain 'thither'.]

[2] [Ed. 1 does not contain 'the'.]

and the still slower progress of France,

France seems to have had a considerable share of foreign commerce near a century before England was distinguished as a commercial country. The marine of France was considerable, according to the notions of the times, before the expedition of Charles the VIIIth to Naples.[4] The cultivation and improvement of France, however, is, upon the whole, inferior to that of England. The law of the country has never given the same direct encouragement to agriculture.

---

[1] [18 Car. II., c. 2.]

[2] [32 Geo. II., c. 11, § 1; 5 Geo. III., c. 10; 12 Geo. III., c. 2.]

[3] [Below, pp. 424-427, and vol. ii., pp. 25-45.]

[4] [It seems likely that Charles VIII. is here (though not on the next page) confused with Charles of Anjou, brother of St. Louis. At any rate Hénault (who is quoted below, p. 122) says: 'Notre marine aussitôt détruite que créée sous Philippe Auguste, s'était bien rétablie sous S. Louis si, comme le dit un historien, ce prince embarqua soixante-mille hommes à Aigues-mortes . . . quant à la première expédition, Joinville dit qu'au départ de Chypre pour la conquête de Damiette, il y avait dix-huit cents vaisseaux tant grands que petits. S. Louis avait aussi mis en mer une flotte considérable pour défendre les côtes de Poitou contre la flotte de Henri III., et son frère Charles d'Anjou en avait une de quatre-

Spain and Portugal.

The foreign commerce of Spain and Portugal to the other parts of Europe, though chiefly carried on in foreign ships, is very considerable. That to their colonies is carried on in their own, and is much greater, on account of the great riches and extent of those colonies. But it has never introduced any considerable manufactures for distant sale into either of those countries, and the greater part of both still remains uncultivated. The foreign commerce of Portugal is of older standing than that of any great country in Europe, except Italy.

Italy alone was improved throughout by foreign commerce and exported manufactures.

Italy is the only great country of Europe which seems to have been cultivated and improved in every part, by means of foreign commerce and manufactures for distant sale. Before the invasion of Charles the VIIIth, Italy, according to Guicciardin,[1] was cultivated not less in the most mountainous and barren parts of the country, than in the plainest and most fertile. The advantageous situation of the country, and the great number of independent states which at that time subsisted in it, probably contributed not a little to this general cultivation. It is not impossible too, notwithstanding this general expression of one of the most judicious and reserved of modern historians, that Italy was not at that time better cultivated than England is at present.

The national capital acquired by commerce and manufactures is an uncertain possession till realised in the improvement of land.

The capital, however, that is acquired to any country by commerce and manufactures, is all a very precarious and uncertain possession, till some part of it has been secured and realized in the cultivation and improvement of its lands. A merchant, it has been said very properly, is not necessarily the citizen of any particular country. It is in a great measure indifferent to him from what place he carries on his trade; and a very trifling disgust will make him remove his capital, and together with it all the industry which it supports, from one country to another. No part of it can be said to belong to any particular country, till it has been spread as it were over the face of that country, either in buildings, or in the lasting improvement of lands. No vestige now remains of the great wealth, said to have been possessed by the greater part of the Hans towns, except in the obscure histories of the thirteenth and fourteenth centuries. It is even uncertain where some

---

vingts voiles, composée de galères et de vaisseaux, lors de son expédition de Naples.'—*Nouvel Abrégé chronologique de l'histoire de France*, 1768, tom. i., p. 201, A.D. 1299. This puts the French marine 200 years earlier.]

[1] [' Perchè ridotta tutta in somma pace e tranquillità, coltivata non meno ne' luoghi più montuosi, e più sterili, che nelle pianure, e regioni sue più fertili, nè sottoposta ad altro Imperio, che de' suoi medesimi, non solo era abbondantissima d' abitatori, e di richezze'.—Guicciardini, *Della Istoria d' Italia*, Venice, 1738, vol. i., p. 2.]

of them were situated, or to what towns in Europe the Latin names given to some of them belong. But though the misfortunes of Italy in the end of the fifteenth and beginning of the sixteenth centuries greatly diminished the commerce and manufactures of the cities of Lombardy and Tuscany, those countries still continue to be among the most populous and best cultivated in Europe. The civil wars of Flanders, and the Spanish government which succeeded them, chased away the great commerce of Antwerp, Ghent, and Bruges. But Flanders still continues to be one of the richest, best cultivated, and most populous provinces of Europe. The ordinary revolutions of war and government easily dry up the sources of that wealth which arises from commerce only. That which arises from the more solid improvements of agriculture, is much more durable, and cannot be destroyed but by those more violent convulsions occasioned by the depredations of hostile and barbarous nations continued for a century or two together; such as those that happened for some time before and after the fall of the Roman empire in the western provinces of Europe.

BOOK IV

Of Systems of political Œconomy

INTRODUCTION

The first object of political econom is to provid subsistence for the people.

POLITICAL œconomy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.[1]

Two different systems proposed fo this end will be explained.

The different progress of opulence in different ages and nations, has given occasion to two different systems of political œconomy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture. I shall endeavour to explain both as fully and distinctly as I can, and shall begin with the system of commerce. It is the modern system, and is best understood in our own country and in our own times.

---

[1] [For other definitions of the purpose or nature of political economy see the index, *s.v.*]

CHAPTER I

OF THE PRINCIPLE OF THE COMMERCIAL OR MERCANTILE SYSTEM

Wealth and money in common language are considered synonymous.

THAT wealth consists in money, or in gold and silver, is a popular notion which naturally arises from the double function of money, as the instrument of commerce, and as the measure of value. In consequence of its being the instrument of commerce, when we have money we can more readily obtain whatever else we have occasion for, than by means of any other commodity. The great affair, we always find, is to get money. When that is obtained, there is no difficulty in making any subsequent purchase. In consequence of its being the measure of value, we estimate that of all other commodities by the quantity of money which they will exchange for. We say of a rich man that he is worth a great deal, and of a poor man that he is worth very little money. A frugal man, or a man eager to be rich, is said to love money; and a careless, a generous, or a profuse man, is said to be indifferent about it. To grow rich is to get money; and wealth and money, in short, are, in common language, considered as in every respect synonymous.

Similarly the Tartars thought wealth consisted of cattle.

A rich country, in the same manner as a rich man, is supposed to be a country abounding in money; and to heap up gold and silver in any country is supposed to be the readiest way to enrich it. For some time after the discovery of America, the first enquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood? By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering. Plano Carpino, a monk sent ambassador from the king of France to one of the sons of the famous Gengis Khan, says that the Tartars used frequently to ask him, if there was plenty of sheep and oxen in the kingdom of France?[1] Their enquiry had the same object with that of the

---

[1] [There seems to be a confusion between Plano-Carpini, a Franciscan sent as legate by Pope Innocent IV. in 1246, and Guillaume de Rubruquis, another Franciscan sent as am-

Spaniards. They wanted to know if the country was rich enough to be worth the conquering. Among the Tartars, as among all other nations of shepherds, who are generally ignorant of the use of money, cattle are the instruments of commerce and the measures of value. Wealth, therefore, according to them, consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth.

Locke thought gold and silver the most substantial part of the wealth of a nation.

Mr. Locke remarks a distinction between money and other moveable goods. All other moveable goods, he says, are of so consumable a nature that the wealth which consists in them cannot be much depended on, and a nation which abounds in them one year may, without any exportation, but merely by their own waste and extravagance, be in great want of them the next. Money, on the contrary, is a steady friend, which, though it may travel about from hand to hand, yet if it can be kept from going out of the country, is not very liable to be wasted and consumed. Gold and silver, therefore, are, according to him, the most solid and substantial part of the moveable wealth of a nation, and to multiply those metals ought, he thinks, upon that account, to be the great object of its political œconomy.[1]

Others say that it is necessary to have much money in order to maintain fleets and armies abroad.

Others admit that if a nation could be separated from all the world, it would be of no consequence how much, or how little money circulated in it. The consumable goods which were circulated by means of this money, would only be exchanged for a greater or a smaller number of pieces; but the real wealth or poverty of the country, they allow, would depend altogether upon the abundance or scarcity of those consumable goods. But it is otherwise, they think, with countries which have connections with foreign nations, and which are obliged to carry on foreign wars, and to maintain fleets and armies in distant countries. This, they say, cannot be done, but by sending abroad money to pay them with; and a nation cannot send much money abroad, unless it has a good deal at home. Every such nation, therefore, must endeavour in time of peace to accumulate gold and silver, that, when occasion requires, it may have wherewithal to carry on foreign wars.

---

bassador by Louis IX. in 1253. As is pointed out by Rogers in a note on this passage, the reference appears to be to Rubruquis, *Voyage en Tartarie et à la Chine*, chap. xxxiii. The great Khan's secretaries, Rubruquis states, on one occasion displayed curiosity about France: 's'enquérant s'il y avait force bœufs, moutons, et chevaux, comme s'ils eussent déjà été tous prêts d'y venir et emmener tout'. Plano-Carpini and Rubruquis are both in Bergeron's *Voyages faits principalement en Asie dans les xii., xiii., xiv. et xv. siècles*, La Haye, 1735.]

[1] [There is very little foundation for any part of this paragraph. It perhaps originated in an inaccurate recollection of pp. 17, 18 and 77-79 of *Some Considerations* (1696 ed.), and §§ 46-50 of *Civil Government*. It was probably transferred bodily from the *Lectures* without verification. See *Lectures*, p. 198.]

So all European nations have tried to accumulate gold and silver.

At first by a prohibition of exportation,

In consequence of these popular notions, all the different nations of Europe have studied, though to little purpose, every possible means of accumulating gold and silver in their respective countries. Spain and Portugal, the proprietors of the principal mines which supply Europe with those metals, have either prohibited their exportation under the severest penalties, or subjected it to a considerable duty.[1] The like prohibition seems anciently to have made a part of the policy of most other European nations. It is even to be found, where we should least of all expect[2] to find it, in some old Scotch acts of parliament, which forbid under heavy penalties the carrying gold or silver *forth of the kingdom.*[3] The like policy anciently took place both in France and England.

but merchants found this inconvenient,

When those countries became commercial, the merchants found this prohibition, upon many occasions, extremely inconvenient. They could frequently buy more advantageously with gold and silver than with any other commodity, the foreign goods which they wanted, either to import into their own, or to carry to some other foreign country. They remonstrated, therefore, against this prohibition as hurtful to trade.

and therefore argued that exportation did not always diminish the stock in the country,

They represented, first, that the exportation of gold and silver in order to purchase foreign goods, did not always diminish the quantity of those metals in the kingdom. That, on the contrary, it might frequently increase that quantity;[4] because, if the consumption of foreign goods was not thereby increased in the country, those goods might be re-exported to foreign countries, and, being there sold for a large profit, might bring back much more treasure than was originally sent out to purchase them. Mr. Mun compares this operation of foreign trade to the seed-time and harvest of agriculture. "If we only behold," says he, "the actions of the husbandman in the seed-time, when he casteth "away much good corn into the ground, we shall account him rather "a madman than a husbandman. But when we consider his labours "in the harvest, which is the end of his endeavours, we shall find the "worth and plentiful increase of his actions."[5]

and that the metals could be retained only by attention to

They represented, secondly, that this prohibition could not hinder the exportation of gold and silver, which, on account of the smallness of their bulk in proportion to their value, could easily be smuggled the balance of trade.

---

[1] [See below, vol. ii., p. 13, note.]

[2] [Ed. 1 reads 'expect least of all'.]

[3] [The words 'forth of the realm' occur in (January) 1487, c. 11. Other acts are 1436, c. 13; 1451, c. 15; 1482, c. 8.]

[4] [Ed. 1 reads 'increase it'.]

[5] [*England's Treasure by Forraign Trade, or the Ballance of our Forraign Trade is the Rule of our Treasure*, 1664, chap. iv., *ad fin.*, which reads, however, 'we will rather accompt him a mad man'.]

abroad.[1] That this exportation could only be prevented by a proper attention to, what they called, the balance of trade.[2] That when the country exported to a greater value than it imported, a balance became due to it from foreign nations, which was necessarily paid to it in gold and silver, and thereby increased the quantity of those metals in the kingdom. But that when it imported to a greater value than it exported, a contrary balance became due to foreign nations, which was necessarily paid to them in the same manner, and thereby diminished that quantity. That in this case to prohibit the exportation of those metals could not prevent it, but only by making it more dangerous, render it more expensive. That the exchange was thereby turned more against the country which owed the balance, than it otherwise might have been; the merchant who purchased a bill upon the foreign country being obliged to pay the banker who sold it, not only for the natural risk, trouble and expence of sending the money thither, but for the extraordinary risk arising from the prohibition. But that the more the exchange was against any country, the more the balance of trade became necessarily against it; the money of that country becoming necessarily of so much less value, in comparison with that of the country to which the balance was due. That if the exchange between England and Holland, for example, was five per cent. against England, it would require a hundred and five ounces of silver in England to purchase a bill for a hundred ounces of silver in Holland: that a hundred and five ounces of silver in England, therefore, would be worth only a hundred ounces of silver in Holland, and would purchase only a proportionable quantity of Dutch goods: but that a hundred ounces of silver in Holland, on the contrary, would be worth a hundred and five ounces in England, and would purchase a proportionable quantity of English goods: that the English goods which were sold to Holland would be sold so much cheaper; and the Dutch goods which were sold to England, so much dearer, by the difference of the exchange; that the one would draw so much less Dutch money to England, and the other so much more English money to Holland, as this difference amounted to: and that the balance of trade, therefore, would necessarily be so much more against England, and would require a greater balance of gold and silver to be exported to Holland.

---

[1] [Mun, *England's Treasure*, chap. vi.]

[2] ['Among other things relating to trade there hath been much discourse of the balance of trade; the right understanding whereof may be of singular use.'—Josiah Child, *New Discourse of Trade*, 1694, p. 152, chap. ix., introducing an explanation. The term was used before Mun's work was written. See Palgrave's *Dictionary of Political Economy*, *s.v.* Balance of Trade, History of the theory.]

Their arguments were partly sophistical,

Those arguments were partly solid and partly sophistical. They were solid so far as they asserted that the exportation of gold and silver in trade might frequently be advantageous to the country. They were solid too, in asserting that no prohibition could prevent their exportation, when private people found any advantage in exporting them. But they were sophistical in supposing, that either to preserve or to augment the quantity of those metals required more the attention of government, than to preserve or to augment the quantity of any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity. They were sophistical too, perhaps, in asserting that the high price of exchange necessarily increased, what they called, the unfavourable balance of trade, or occasioned the exportation of a greater quantity of gold and silver. That high price, indeed, was extremely disadvantageous to the merchants who had any money to pay in foreign countries. They paid so much dearer for the bills which their bankers granted them upon those countries. But though the risk arising from the prohibition might occasion some extraordinary expence to the bankers, it would not necessarily carry any more money out of the country. This expence would generally be all laid out in the country, in smuggling the money out of it, and could seldom occasion the exportation of a single six-pence beyond the precise sum drawn for. The high price of exchange too would naturally dispose the merchants to endeavour to make their exports nearly balance their imports, in order that they might have this high exchange to pay upon as small a sum as possible. The high price of exchange, besides, must necessarily have operated as a tax, in raising the price of foreign goods, and thereby diminishing their consumption.[1] It would tend, therefore, not to increase, but to diminish, what they called, the unfavourable balance of trade, and consequently the exportation of gold and silver.

but they convinced parliaments and councils.

Such as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments, and to the councils of princes, to nobles, and to country gentlemen; by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well knew. The merchants knew perfectly in what manner it enriched themselves.

---

[1] [This sentence appears first in ed. 2. Ed. 1 begins the next sentence, 'The high price of exchange therefore would tend'.]

It was their business to know it. But to know in what manner it enriched the country, was no part of their business. This subject never came into their consideration, but when they had occasion to apply to their country for some change in the laws relating to foreign trade. It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood. To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do. Those arguments therefore produced the wished-for effect. The prohibition of exporting gold and silver was in France and England confined to the coin of those respective countries. The exportation of foreign coin and of bullion was made free. In Holland, and in some other places, this liberty was extended even to the coin of the country. The attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade, as the only cause which could occasion any augmentation or diminution of those metals. From one fruitless care it was turned away to another care much more intricate, much more embarrassing, and just equally fruitless. The title of Mun's book, England's Treasure in[1] Foreign Trade, became a fundamental maxim in the political œconomy, not of England only, but of all other commercial countries. The inland or home trade, the most important of all, the trade in which an equal capital affords the greatest revenue, and creates the greatest employment to the people of the country, was considered as subsidiary only to foreign trade. It neither brought money into the country, it was said, nor carried any out of it. The country therefore could never become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly influence the state of foreign trade.

The exportation of foreign coin and bullion was permitted by France and England, and the exportation of Dutch coin by Holland.

That treasure was obtained by foreign trade became a received maxim.

A country that has no mines of its own must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. It does not seem necessary, however, that the attention of government should be more turned towards the one than towards the other object. A country that has wherewithal to buy wine, will always get the wine which it has occasion for; and a country that has wherewithal to buy gold and silver, will never be in want of those metals. They are to be bought for a certain price like all other commodities, and as they are the price

Gold and silver will be imported without any attention of government of all other commodities, so all other commodities are the price of those metals. We trust with perfect security that the freedom of trade, without any attention of government, will always supply us with the wine which we have occasion for: and we may trust with equal security that it will always supply us with all the gold and silver which we can afford to purchase or to employ, either in circulating our commodities, or in other uses.

---

[1] ['In' is a mistake for 'by'.]

They can be imported more easily than other commodities when there is an effectual demand.

The quantity of every commodity which human industry can either purchase or produce, naturally regulates itself in every country according to the effectual demand, or according to the demand of those who are willing to pay the whole rent, labour and profits which must be paid in order to prepare and bring it to market. But no commodities regulate themselves more easily or more exactly according to this effectual demand than gold and silver; because, on account of the small bulk and great value of those metals, no commodities can be more easily transported from one place to another, from the places where they are cheap, to those where they are dear, from the places where they exceed, to those where they fall short of this effectual demand. If there were in England, for example, an effectual demand for an additional quantity of gold, a packet-boat could bring from Lisbon, or from wherever else it was to be had, fifty tuns of gold, which could be coined into more than five millions of guineas. But if there were [1] an effectual demand for grain to the same value, to import it would require, at five guineas a tun, a million of tuns of shipping, or a thousand ships of a thousand tuns each. The navy of England would not be sufficient.

When their quantity exceeds the demand it is impossible to prevent their exportation,

When the quantity of gold and silver imported into any country exceeds the effectual demand, no vigilance of government can prevent their exportation. All the sanguinary laws of Spain and Portugal are not able to keep their gold and silver at home. The continual importations from Peru and Brazil exceed the effectual demand of those countries, and sink the price of those metals there below that in the neighbouring countries. If, on the contrary, in any particular country their quantity fell short of the effectual demand, so as to raise their price above that of [2] the neighbouring countries, the government would have no occasion to take any pains to import them. If it were [3] even to take pains to prevent their importation, it would not be able to effectuate it. Those metals, when the Spartans had got wherewithal to purchase them, broke through all the barriers which the laws of Lycur-

and it would be equally impossible to prevent their importation if the supply fell short of the effectual demand.

---

[1] [Here and four lines higher eds. 1-3 read 'if there was'.]

[2] [Ed. 1 reads 'in'.]

[3] [Eds. 1-3 read 'if it was'.]

gus opposed to their entrance into Lacedemon. All the sanguinary laws of the customs are not able to prevent the importation of the teas of the Dutch and Gottenburgh East India companies ; because somewhat cheaper than those of the British company. A pound of tea, however, is about a hundred times the bulk of one of the highest prices, sixteen shillings, that is commonly paid for it in silver, and more than two thousand times the bulk of the same price in gold, and consequently just so many times more difficult to smuggle.

It is this ease of transportation which makes the value of gold and silver so uniform.

It is partly owing to the easy transportation of gold and silver from the places where they abound to those where they are wanted, that the price of those metals does not fluctuate continually like that of the greater part of other commodities, which are hindered by their bulk from shifting their situation, when the market happens to be either over or under-stocked with them. The price of those metals, indeed, is not altogether exempted from variation, but the changes to which it is liable are generally slow, gradual, and uniform. In Europe, for example, it is supposed, without much foundation, perhaps, that, during the course of the present and preceding century, they have been constantly, but gradually, sinking in their value, on account of the continual importations from the Spanish West Indies.[1] But to make any sudden change in the price of gold and silver, so as to raise or lower at once, sensibly and remarkably, the money price of all other commodities, requires such a revolution in commerce as that occasioned by the discovery of America.

If they did fall short, their place could be supplied by paper.

If, notwithstanding all this, gold and silver should at any time fall short in a country which has wherewithal to purchase them, there are more expedients for supplying their place, than that of almost any other commodity. If the materials of manufacture are wanted, industry must stop. If provisions are wanted, the people must starve. But if money is wanted, barter will supply its place, though with a good deal of inconveniency. Buying and selling upon credit, and the different dealers compensating their credits with one another, once a month or once a year, will supply it with less inconveniency. A well-regulated paper money will supply it, not only without any inconveniency, but, in some cases, with some advantages.[2] Upon every account, therefore, the attention of government never was so unnecessarily employed, as when directed to watch over the preservation or increase of the quantity of money in any country.

---

[1] [The absence of any reference to the long Digression in bk. i., chap. xi., suggests that this passage was written before the Digression was incorporated in the work. Contrast the reference below, vol. ii., p. 9.]

[2] [Ed. 1 reads 'not only without any inconveniency but with very great advantages'.]

The common complaint of scarcity of money only means difficulty in borrowing.

No complaint, however, is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither wherewithal to buy it, nor credit to borrow it. Those who have either, will seldom be in want either of the money, or of the wine which they have occasion for. This complaint, however, of the scarcity of money, is not always confined to improvident spendthrifts. It is sometimes general through a whole mercantile town, and the country in its neighbourhood. Over-trading is the common cause of it. Sober men, whose projects have been disproportioned to their capitals, are as likely to have neither wherewithal to buy money, nor credit to borrow it, as prodigals whose expence has been disproportioned to their revenue. Before their projects can be brought to bear, their stock is gone, and their credit with it. They run about everywhere to borrow money, and every body tells them that they have none to lend. Even such general complaints of the scarcity of money do not always prove that the usual number of gold and silver pieces are not circulating in the country, but that many people want those pieces who have nothing to give for them. When the profits of trade happen to be greater than ordinary, over-trading becomes a general error both among great and small dealers. They do not always send more money abroad than usual, but they buy upon credit both at home and abroad, an unusual quantity of goods, which they send to some distant market, in hopes that the returns will come in before the demand for payment. The demand comes before the returns, and they have nothing at hand, with which they can either purchase money, or give solid security for borrowing. It is not any scarcity of gold and silver, but the difficulty which such people find in borrowing, and which their creditors find in getting payment, that occasions the general complaint of the scarcity of money.

Money makes but a small part of the national capital.

It would be too ridiculous to go about seriously to prove, that wealth does not consist in money, or in gold and silver; but in what money purchases, and is valuable only for purchasing. Money, no doubt, makes always a part of the national capital; but it has already been shown [1] that it generally makes but a small part, and always the most unprofitable part of it.

It is easier to buy than to sell simply because money is the instrument of commerce.

It is not because wealth consists more essentially in money than in goods, that the merchant finds it generally more easy to buy goods with money, than to buy money with goods; but because money is the known and established instrument of commerce, for which every thing is readily given in exchange, but which is not always with equal readiness to be got in exchange for every thing. The greater part of goods besides are more perishable than money, and he may frequently sustain a much greater loss by keeping them. When his goods are upon hand too, he is more liable to such demands for money as he may not be able to answer, than when he has got their price in his coffers. Over and above all this, his profit arises more directly from selling than from buying, and he is upon all these accounts generally much more anxious to exchange his goods for money, than his money for goods. But though a particular merchant, with abundance of goods in his warehouse, may sometimes be ruined by not being able to sell them in time, a nation or country is not liable to the same accident. The whole capital of a merchant frequently consists in perishable goods destined for purchasing money. But it is but a very small part of the annual produce of the land and labour of a country which can ever be destined for purchasing gold and silver from their neighbours. The far greater part is circulated and consumed among themselves; and even of the surplus which is sent abroad, the greater part is generally destined for the purchase of other foreign goods. Though gold and silver, therefore, could not be had in exchange for the goods destined to purchase them, the nation would not be ruined. It might, indeed, suffer some loss and inconveniency, and be forced upon some of those expedients which are necessary for supplying the place of money. The annual produce of its land and labour, however, would be the same, or very nearly the same, as usual, because the same, or very nearly the same consumable capital would be employed in maintaining it. And though goods do not always draw money so readily as money draws goods, in the long-run they draw it more necessarily than even it draws them. Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods. Money, therefore, necessarily runs after goods, but goods do not always or necessarily run after money. The man who buys, does not always mean to sell again, but frequently to use or to consume; whereas he who sells, always means to buy again. The one may frequently have done the whole, but the other can never have done more than the one-half of his business. It is not for its own sake that men desire money, but for the sake of what they can purchase with it.

---

[1] [This probably refers to p. 279, though the object there is rather to insist on the largeness of the saving effected by dispensing with money, and pp. 269-275.]

The durability of a commodity is no reason for accumu-

Consumable commodities, it is said, are soon destroyed; whereas gold and silver are of a more durable nature, and, were it not for this continual exportation, might be accumulated for ages together, to the lating more of it than is wanted.

incredible augmentation of the real wealth of the country. Nothing, therefore, it is pretended, can be more disadvantageous to any country, than the trade which consists in the exchange of such lasting for such perishable commodities. We do not, however, reckon that trade disadvantageous which consists in the exchange of the hard-ware of England for the wines of France; and yet hard-ware is a very durable commodity, and were it not[1] for this continual exportation, might too be accumulated for ages together, to the incredible augmentation of the pots and pans of the country. But it readily occurs that the number of such utensils is in every country necessarily limited by the use which there is for them; that it would be absurd to have more pots and pans than were necessary for cooking the victuals usually consumed there; and that if the quantity of victuals were to increase, the number of pots and pans would readily increase along with it, a part of the increased quantity of victuals being employed in purchasing them, or in maintaining an additional number of workmen whose business it was to make them. It should as readily occur that the quantity of gold and silver is in every country limited by the use which there is for those metals; that their use consists in circulating commodities as coin, and in affording a species of houshold furniture as plate; that the quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it: increase that value, and immediately a part of it will be sent abroad to purchase, wherever it is to be had, the additional quantity of coin requisite for circulating them: that the quantity of plate is regulated by the number and wealth of those private families who chuse to indulge themselves in that sort of magnificence: increase the number and wealth of such families, and a part of this increased wealth will most probably be employed in purchasing, wherever it is to be found, an additional quantity of plate: that to attempt to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families, by obliging them to keep an unnecessary number of kitchen utensils. As the expence of purchasing those unnecessary utensils would diminish instead of increasing either the quantity or goodness of the family provisions; so the expence of purchasing an unnecessary quantity of gold and silver must, in every country, as necessarily diminish the wealth which feeds, clothes, and lodges, which maintains and employs the people. Gold and silver, whether in the shape of coin or of plate, are utensils, it must be remembered, as much as the furniture of the kitchen. Increase the use for them, increase the consumable commodities which are to be circulated, managed, and prepared by means of them, and you will infallibly increase the quantity; but if you attempt, by extraordinary means, to increase the quantity, you will as infallibly diminish the use and even the quantity too, which in those metals can never be greater than what the use requires. Were they ever to be accumulated beyond this quantity, their transportation is so easy, and the loss which attends their lying idle and unemployed so great, that no law could prevent their being immediately sent out of the country.

---

[1] [Eds. 1-3 read 'was it not'.]

Accumulation of gold and silver is not necessary for carrying on distant wars,

It is not always necessary to accumulate gold and silver, in order to enable a country to carry on foreign wars, and to maintain fleets and armies in distant countries. Fleets and armies are maintained, not with gold and silver, but with consumable goods. The nation which, from the annual produce of its domestic industry, from the annual revenue arising out of its lands, labour, and consumable stock, has wherewithal to purchase those consumable goods in distant countries, can maintain foreign wars there.

which may be paid for by exporting: (1) gold and silver, (2) manufactures, or (3) rude produce.

A nation may purchase the pay and provisions of an army in a distant country three different ways; by sending abroad either, first, some part of its accumulated gold and silver; or secondly, some part of the annual produce of its manufactures; or last of all, some part of its annual rude produce.

The gold and silver consists of money in circulation, plate, and money in the treasury.

The gold and silver which can properly be considered as accumulated or stored up in any country, may be distinguished into three parts; first, the circulating money; secondly, the plate of private families; and last of all, the money which may have been collected by many years parsimony, and laid up in the treasury of the prince.

Little can be spared from the money in circulation;

It can seldom happen that much can be spared from the circulating money of the country; because in that there can seldom be much redundancy. The value of goods annually bought and sold in any country requires a certain quantity of money to circulate and distribute them to their proper consumers, and can give employment to no more. The channel of circulation necessarily draws to itself a sum sufficient to fill it, and never admits any more. Something, however, is generally withdrawn from this channel in the case of foreign war. By the great number of people who are maintained abroad, fewer are maintained at home. Fewer goods are circulated there, and less money becomes necessary to circulate them. An extraordinary quantity of paper money, of some sort or other too, such as exchequer notes, navy bills, and bank bills in England, is generally issued upon such occasions, and by supplying the place of circulating gold and silver, gives an opportunity of sending a greater quantity of it abroad. All this, however, could afford but a poor resource for maintaining a foreign war, of great expence and several years duration.

plate has never yielded much:

The melting down the plate of private families, has upon every occasion been found a still more insignificant one. The French, in the beginning of the last war, did not derive so much advantage from this expedient as to compensate the loss of the fashion.

accumulation in the treasury has been abandoned.

The accumulated treasures of the prince have, in former times, afforded a much greater and more lasting resource. In the present times, if you except the king of Prussia, to accumulate treasure seems to be no part of the policy of European princes.

The foreign wars of the century have evidently not been paid for from the money in circulation.

The funds which maintained the foreign wars of the present century, the most expensive perhaps which history records, seem to have had little dependency upon the exportation either of the circulating money, or of the plate of private families, or of the treasure of the prince. The last French war cost Great Britain upwards of ninety millions, including not only the seventy-five millions of new debt that was contracted,[1] but the additional two shillings in the pound land tax, and what was annually borrowed of the sinking fund. More than two-thirds of this expence were[2] laid out in distant countries; in Germany, Portugal, America, in the ports of the Mediterranean, in the East and West Indies. The kings of England had no accumulated treasure. We never heard of any extraordinary quantity of plate being melted down. The circulating gold and silver of the country had not been supposed to exceed eighteen millions. Since the late recoinage of the gold, however, it is believed to have been a good deal under-rated. Let us suppose, therefore, according to the most exaggerated computation which I remember to have either seen or heard of,[3] that, gold and silver together, it amounted to thirty millions.[4] Had the war been carried on, by means of our money, the whole of it must, even according to this computation, have been sent out and returned again at least twice, in a period of between six and seven years. Should this be supposed, it would afford the most decisive argument to demonstrate how unnecessary it is for government to watch over the preservation of money, since upon this supposition the whole money of the country must have gone from it and returned to it again, two different times in so short a period, without any body's knowing any thing of the matter.

---

[1] [*Present State of the Nation* (see next page and note), p. 28.]
[2] [Eds. 1-3 read 'was'.]
[3] [Ed. 1 reads 'according to the exaggerated computation of Mr. Horsely'.]
[4] [*Lectures*, p. 199.]

The channel of circulation, however, never appeared more empty than usual during any part of this period. Few people wanted money who had wherewithal to pay for it. The profits of foreign trade, indeed, were greater than usual during the whole war; but especially towards the end of it. This occasioned, what it always occasions, a general over-trading in all the ports of Great Britain; and this again occasioned the usual complaint of the scarcity of money, which always follows over-trading. Many people wanted it, who had neither wherewithal to buy it, nor credit to borrow it; and because the debtors found it difficult to borrow, the creditors found it difficult to get payment. Gold and silver, however, were generally to be had for their value, by those who had that value to give for them.

but by commodities.

The enormous expence of the late war, therefore, must have been chiefly defrayed, not by the exportation of gold and silver, but by that of British commodities of some kind or other. When the government, or those who acted under them, contracted with a merchant for a remittance to some foreign country, he would naturally endeavour to pay his foreign correspondent, upon whom he had granted a bill, by sending abroad rather commodities than gold and silver. If the commodities of Great Britain were not in demand in that country, he would endeavour to send them to some other country, in which he could purchase a bill upon that country. The transportation of commodities, when properly suited to the market, is always attended with a considerable profit; whereas that of gold and silver is scarce ever attended with any. When those metals are sent abroad in order to purchase foreign commodities, the merchant's profit arises, not from the purchase, but from the sale of the returns. But when they are sent abroad merely to pay a debt, he gets no returns, and consequently no profit. He naturally, therefore, exerts his invention to find out a way of paying his foreign debts, rather by the exportation of commodities than by that of gold and silver. The great quantity of British goods exported during the course of the late war, without bringing back any returns, is accordingly remarked by the author of The Present State of the Nation.[1]

Part of the bullion which circulates from country to country may have been employed,

Besides the three sorts of gold and silver above mentioned, there is in all great commercial countries a good deal of bullion alternately imported and exported for the purposes of foreign trade. This bullion, as it circulates among different commercial countries in the same manner as the national coin circulates in every particular country, but it must have been purchased with commodities.

---

[1] [*The Present State of the Nation, particularly with respect to its Trade, Finances, etc., etc., addressed to the King and both Houses of Parliament*, 1768 (written under the direction of George Grenville by William Knox), pp. 7, 8.]

may be considered as the money of the great mercantile republic. The national coin receives its movement and direction from the commodities circulated within the precincts of each particular country: the money of the mercantile republic, from those circulated between different countries. Both are employed in facilitating exchanges, the one between different individuals of the same, the other between those of different nations. Part of this money of the great mercantile republic may have been, and probably was, employed in carrying on the late war. In time of a general war, it is natural to suppose that a movement and direction should be impressed upon it, different from what it usually follows in profound peace; that it should circulate more about the seat of the war, and be more employed in purchasing there, and in the neighbouring countries, the pay and provisions of the different armies. But whatever part of this money of the mercantile republic, Great Britain may have annually employed in this manner, it must have been annually purchased, either with British commodities, or with something else that had been purchased with them; which still brings us back to commodities, to the annual produce of the land and labour of the country, as the ultimate resources which enabled us to carry on the war. It is natural indeed to suppose, that so great an annual expence must have been defrayed from a great annual produce. The expence of 1761, for example, amounted to more than nineteen millions. No accumulation could have supported so great an annual profusion. There is no annual produce even of gold and silver which could have supported it. The whole gold and silver annually imported into both Spain and Portugal, according to the best accounts, does not commonly much exceed six millions sterling,[1] which, in some years, would scarce have paid four months expence of the late war.

The finer manufactures are the most convenient commodities for the purpose.

The commodities most proper for being transported to distant countries, in order to purchase there, either the pay and provisions of an army, or some part of the money of the mercantile republic to be employed in purchasing them, seem to be the finer and more improved manufactures; such as contain a great value in a small bulk, and can, therefore, be exported to a great distance at little expence. A country whose industry produces a great annual surplus of such manufactures, which are usually exported to foreign countries, may carry on for many years a very expensive foreign war, without either exporting any considerable quantity of gold and silver, or even having any such quantity to export. A considerable part of the annual surplus of its manufactures must, indeed, in this case be exported, without bringing back any returns to the country, though it does to the merchant; the government purchasing of the merchant his bills upon foreign countries, in order to purchase there the pay and provisions of an army. Some part of this surplus, however, may still continue to bring back a return.[1] The manufacturers, during the war, will have a double demand upon them, and be called upon, first, to work up goods to be sent abroad, for paying the bills drawn upon foreign countries for the pay and provisions of the army; and, secondly, to work up such as are necessary for purchasing the common returns that had usually been consumed in the country. In the midst of the most destructive foreign war, therefore, the greater part of manufactures may frequently flourish greatly; and, on the contrary, they may decline on the return of the peace. They may flourish amidst the ruin of their country, and begin to decay upon the return of its prosperity. The different state of many different branches of the British manufactures during the late war, and for some time after the peace, may serve as an illustration of what has been just now said.

---

[1] [Above, pp. 207-209.]

Rude produce is inconvenient

No foreign war of great expence or duration could conveniently be carried on by the exportation of the rude produce of the soil. The expence of sending such a quantity of it to a foreign country as might purchase the pay and provisions of an army, would be too great. Few countries too produce much more rude produce than what is sufficient for the subsistence of their own inhabitants. To send abroad any great quantity of it, therefore, would be to send abroad a part of the necessary subsistence of the people. It is otherwise with the exportation of manufactures. The maintenance of the people employed in them is kept at home, and only the surplus part of their work is exported. Mr. Hume frequently takes notice of the inability of the ancient kings of England to carry on, without interruption, any foreign war of long duration.[2] The English, in those days, had nothing wherewithal to purchase the pay and provisions of their armies in foreign countries, but either the rude produce of the soil, of which no considerable part could be spared from the home consumption, or a few manufactures of the coarsest kind, of which, as well as of the rude produce, the transportation was too expensive. This inability did not arise from the want of money, but of the finer and more improved manufactures. Buying and selling was transacted by means of money in England then, as well as now. The quantity of circulating money must have borne the same proportion to the number and value of purchases and sales usually transacted at that time, which it does to those transacted at present; or rather it must have borne a greater proportion, because there was then no paper, which now occupies a great part of the employment of gold and silver. Among nations to whom commerce and manufactures are little known, the sovereign, upon extraordinary occasions, can seldom draw any considerable aid from his subjects, for reasons which shall be explained hereafter.[1] It is in such countries, therefore, that he generally endeavours to accumulate a treasure, as the only resource against such emergencies. Independent of this necessity, he is in such a situation naturally disposed to the parsimony requisite for accumulation. In that simple state, the expence even of a sovereign is not directed by the vanity which delights in the gaudy finery of a court, but is employed in bounty to his tenants, and hospitality to his retainers. But bounty and hospitality very seldom lead to extravagance; though vanity almost always does.[2] Every Tartar chief, accordingly, has a treasure. The treasures of Mazepa, chief of the Cossacks in the Ukraine, the famous ally of Charles the XIIth, are said to have been very great. The French kings of the Merovingian race had all treasures. When they divided their kingdom among their different children, they divided their treasure too. The Saxon princes, and the first kings after the conquest, seem likewise to have accumulated treasures. The first exploit of every new reign was commonly to seize the treasure of the preceding king, as the most essential measure for securing the succession. The sovereigns of improved and commercial countries are not under the same necessity of accumulating treasures, because they can generally draw from their subjects extraordinary aids upon extraordinary occasions. They are likewise less disposed to do so. They naturally, perhaps necessarily, follow the mode of the times, and their expence comes to be regulated by the same extravagant vanity which directs that of all the other great proprietors in their dominions. The insignificant pageantry of their court becomes every day more brilliant, and the expence of it not only prevents accumulation, but frequently encroaches upon the funds destined for more necessary expences. What Dercyllidas said of the court of Persia, may be applied to that of several European princes, that he saw there much splendor but little strength, and many servants but few soldiers.[3]

---

[1] [In place of these two sentences ed. 1 reads 'A considerable part of the annual surplus of its manufactures must indeed in this case be exported without bringing back any returns. Some part of it, however, may still continue to bring back a return.']

[2] [*History*, chaps. xix. and xx., vol. iii., pp. 103, 104, 165 in ed. of 1773.]

---

[1] [Below, p. 396.]

[2] [This sentence and the nine words before it are repeated below, vol. ii., p. 393.]

[3] [' Dercyllidas ' appears to be a mistake for Antiochus. See Xenophon, *Hellenica*, vii., i., § 38.]

The principal benefit of foreign trade is not the importation of gold and silver, but the carrying out of surplus produce for which there is no demand and bringing back something for which there is.

The importation of gold and silver is not the principal, much less the sole benefit which a nation derives from its foreign trade. Between whatever places foreign trade is carried on, they all of them derive two distinct benefits from it. It carries out that surplus part of the produce of their land and labour for which there is no demand among them, and brings back in return for it something else for which there is a demand. It gives a value to their superfluities, by exchanging them for something else, which may satisfy a part of their wants, and increase their enjoyments. By means of it, the narrowness of the home market does not hinder the division of labour in any particular branch of art or manufacture from being carried to the highest perfection. By opening a more extensive market for whatever part of the produce of their labour may exceed the home consumption, it encourages them to improve its productive powers, and to augment its annual produce to the utmost, and thereby to increase[1] the real revenue and wealth of the society. These great and important services foreign trade is continually occupied in performing, to all the different countries between which it is carried on. They all derive great benefit from it, though that in which the merchant resides generally derives the greatest, as he is generally more employed in supplying the wants, and carrying out the superfluities of his own, than of any other particular country. To import the gold and silver which may be wanted, into the countries which have no mines, is, no doubt, a part of the business of foreign commerce. It is, however, a most insignificant part of it. A country which carried on foreign trade merely upon this account, could scarce have occasion to freight a ship in a century.

The discovery of America has benefited Europe not by the cheapening of gold and silver,

It is not by the importation of gold and silver, that the discovery of America has enriched Europe. By the abundance of the American mines, those metals have become cheaper. A service of plate can now be purchased for about a third part of the corn, or a third part of the labour, which it would have cost in the fifteenth century. With the same annual expence of labour and commodities, Europe can annually purchase about three times the quantity of plate which it could have purchased at that time. But when a commodity comes to be sold for a third part of what had been its usual price, not only those who purchased it before can purchase three times their former quantity, but it is brought down to the level of a much greater number of purchasers, perhaps to more than ten, perhaps to more than twenty times the former number. So that there may be in Europe at present not only more than three times, but more than twenty or thirty times the quantity of plate which would have been in it, even in its present state of improvement, had the discovery of the American mines never been made. So far Europe has, no doubt, gained a real conveniency, though surely a very trifling one. The cheapness of gold and silver renders those metals rather less fit for the purposes of money than they were before. In order to make the same purchases, we must load ourselves with a greater quantity of them, and carry about a shilling in our pocket where a groat would have done before. It is difficult to say which is most trifling, this inconveniency, or the opposite conveniency. Neither the one nor the other could have made any very essential change in the state of Europe. The discovery of America, however, certainly made a most essential one. By opening a new and inexhaustible market to all the commodities of Europe, it gave occasion to new divisions of labour and improvements of art, which, in the narrow circle of the ancient commerce, could never have taken place for want of a market to take off the greater part of their produce. The productive powers of labour were improved, and its produce increased in all the different countries of Europe, and together with it the real revenue and wealth of the inhabitants. The commodities of Europe were almost all new to America, and many of those of America were new to Europe. A new set of exchanges, therefore, began to take place which had never been thought of before, and which should naturally have proved as advantageous to the new, as it certainly did to the old continent. The savage injustice of the Europeans rendered an event, which ought to have been beneficial to all, ruinous and destructive to several of those unfortunate countries.

---

[1] [Ed. I reads 'thereby increase'.]

but by opening up of a new market which improved the productive powers of labour.

The discovery of the sea passage to the East Indies would have been still more advantageous if the trade to the East Indies had been free.

The discovery of a passage to the East Indies, by the Cape of Good Hope, which happened much about the same time, opened, perhaps, a still more extensive range to foreign commerce than even that of America, notwithstanding the greater distance. There were but two nations in America, in any respect superior to savages, and these were destroyed almost as soon as discovered. The rest were mere savages. But the empires of China, Indostan, Japan, as well as several others in the East Indies, without having richer mines of gold or silver, were in every other respect much richer, better cultivated, and more advanced in all arts and manufactures than either Mexico or Peru, even though we should credit, what plainly deserves no credit, the exaggerated accounts of the Spanish writers, concerning the ancient state of those empires. But rich and civilized nations can always exchange to a much greater value with one another, than with savages and barbarians. Europe, however, has hitherto derived much less advantage from its commerce with the East Indies, than from that with America. The Portuguese monopolized the East India trade to themselves for about a century, and it was only indirectly and through them, that the other nations of Europe could either send out or receive any goods from that country. When the Dutch, in the beginning of the last century, began to encroach upon them, they vested their whole East India commerce in an exclusive company. The English, French, Swedes, and Danes, have all followed their example, so that no great nation in Europe has ever yet had the benefit of a free commerce to the East Indies. No other reason need be assigned why it has never been so advantageous as the trade to America, which, between almost every nation of Europe and its own colonies, is free to all its subjects. The exclusive privileges of those East India companies, their great riches, the great favour and protection which these have procured them from their respective governments, have excited much envy against them. This envy has frequently represented their trade as altogether pernicious, on account of the great quantities of silver, which it every year exports from the countries from which it is carried on. The parties concerned have replied, that their trade, by this continual exportation of silver, might, indeed, tend to impoverish Europe in general, but not the particular country from which it was carried on; because, by the exportation of a part of the returns to other European countries, it annually brought home a much greater quantity of that metal than it carried out. Both the objection and the reply are founded in the popular notion which I have been just now examining. It is, therefore, unnecessary to say any thing further about either. By the annual exportation of silver to the East Indies, plate is probably somewhat dearer in Europe than it otherwise might have been; and coined silver probably purchases a larger quantity both of labour and commodities. The former of these two effects is a very small loss, the latter a very small advantage; both too insignificant to deserve any part of the public attention. The trade to the East Indies, by opening a market to the commodities of Europe, or, what comes nearly to the same thing, to the gold and silver which is purchased with those commodities, must necessarily tend to increase the annual production of European commodities, and consequently the real wealth and revenue of Europe. That it has hitherto increased them so little, is probably owing to the restraints which it every-where labours under.

The exportation of silver to the East Indies is not harmful.

I thought it necessary, though at the hazard of being tedious, to examine at full length this popular notion that wealth consists in money, or in gold and silver. Money in common language, as I have

Writers who begin by including lands, houses and consumable goods in wealth often forget them later.

already observed, frequently signifies wealth; and this ambiguity of expression has rendered this popular notion so familiar to us, that even they, who are convinced of its absurdity, are very apt to forget their own principles, and in the course of their reasonings to take it for granted as a certain and undeniable truth. Some of the best English writers upon commerce set out with observing, that the wealth of a country consists, not in its gold and silver only, but in its lands, houses, and consumable goods of all different kinds. In the course of their reasonings, however, the lands, houses, and consumable goods seem to slip out of their memory, and the strain of their argument frequently supposes that all wealth consists in gold and silver, and that to multiply those metals is the great object of national industry and commerce.

Wealth being supposed to consist in gold and silver, political economy endeavoured to diminish imports and encourage exports,

The two principles being established, however, that wealth consisted in gold and silver, and that those metals could be brought into a country which had no mines only by the balance of trade, or by exporting to a greater value than it imported; it necessarily became the great object of political œconomy to diminish as much as possible the importation of foreign goods for home consumption, and to increase as much as possible the exportation of the produce of domestic industry. Its two great engines for enriching the country, therefore, were restraints upon importation, and encouragements to exportation.

The restraints upon importation were of two kinds.

by restraints upon importation

First, Restraints upon the importation of such foreign goods for home consumption as could be produced at home, from whatever country they were imported.

Secondly, Restraints upon the importation of goods of almost all kinds from those particular countries with which the balance of trade was supposed to be disadvantageous.

Those different restraints consisted sometimes in high duties, and sometimes in absolute prohibitions.

and encouragements to exportation,

Exportation was encouraged sometimes by drawbacks, sometimes by bounties, sometimes by advantageous treaties of commerce with foreign states, and sometimes by the establishment of colonies in distant countries.

Drawbacks were given upon two different occasions. When the home-manufactures were subject to any duty or excise, either the whole or a part of it was frequently drawn back upon their exportation; and when foreign goods liable to a duty were imported in order to be exported again, either the whole or a part of this duty was sometimes given back upon such exportation.

Bounties were given for the encouragement either of some beginning manufactures, or of such sorts of industry of other kinds as were supposed to deserve particular favour.

By advantageous treaties of commerce, particular privileges were procured in some foreign state for the goods and merchants of the country, beyond what were granted to those of other countries.

By the establishment of colonies in distant countries, not only particular privileges, but a monopoly was frequently procured for the goods and merchants of the country which established them.

which restraints and encouragements will be considered in the next six chapters.

The two sorts of restraints upon importation above-mentioned, together with these four encouragements to exportation, constitute the six principal means by which the commercial system proposes to increase the quantity of gold and silver in any country by turning the balance of trade in its favour. I shall consider each of them in a particular chapter, and without taking much further notice of their supposed tendency to bring money into the country, I shall examine chiefly what are likely to be the effects of each of them upon the annual produce of its industry. According as they tend either to increase or diminish the value of this annual produce, they must evidently tend either to increase or diminish the real wealth and revenue of the country.

CHAPTER II

OF RESTRAINTS UPON THE IMPORTATION FROM FOREIGN COUNTRIES OF SUCH GOODS AS CAN BE PRODUCED AT HOME

High duties and prohibitions giving a monopoly to a particular home industry are very common.

BY restraining, either by high duties, or by absolute prohibitions, the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is more or less secured to the domestic industry employed in producing them. Thus the prohibition of importing either live cattle[1] or salt provisions from foreign countries secures to the graziers of Great Britain the monopoly of the home market for butcher's meat. The high duties upon the importation of corn,[2] which in times of moderate plenty amount to a prohibition, give a like advantage to the growers of that commodity. The prohibition of the importation of foreign woollens is equally favourable to the woollen manufacturers.[3] The silk manufacture, though altogether employed upon foreign materials, has lately obtained the same advantage.[4] The linen manufacture has not yet obtained it, but is making great strides towards it.[5] Many other sorts of manufacturers[6] have, in the same manner, obtained in Great Britain, either altogether, or very nearly a monopoly against their countrymen. The variety of goods of which the importation into Great Britain is prohibited, either absolutely, or under certain circumstances, greatly exceeds what can easily be suspected by those who are not well acquainted with the laws of the customs.[7]

They encourage the particular industry, but neither increase general industry nor

That this monopoly of the home-market frequently gives great encouragement to that particular species of industry which enjoys it, and frequently turns towards that employment a greater share of both the labour and stock of the society than would otherwise have gone to it, cannot be doubted. But whether it tends either to increase the general industry of the society, or to give it the most advantageous direction, is not, perhaps, altogether so evident.[1]

---

[1] [See above, p. 392.]

[2] [See below, vol ii., pp. 37, 38.]

[11 and 12 Ed. III., c. 3; 4 Ed. IV., c. 7.]

[4] [6 Geo. III., c. 28.]

[5] [By the additional duties, 7 Geo. III., c. 28.]

[6] [Misprinted 'manufactures' in ed. 5.]

[7] [This sentence appears first in Additions and Corrections and ed. 3.]

give it the best direction.

The number of persons employed cannot exceed a certain proportion to the capital of the society,

The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by any particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord.

and every man's interest leads him to seek that employment of capital which is most advantageous to the society.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of the society, which he has in view. But the study of his own advantage naturally, or rather necessarily leads him to prefer that employment which is most advantageous to the society.

(1) He tries to employ it as near home as possible.

First, every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry; provided always that he can thereby obtain the ordinary, or not a great deal less than the ordinary profits of stock.

Thus, upon equal or nearly equal profits, every wholesale merchant naturally prefers the home-trade to the foreign trade of consumption, and the foreign trade of consumption to the carrying trade. In the home-trade his capital is never so long out of his sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he trusts, and if he should happen to be deceived, he knows better the laws of the country from which he must seek redress. In the carrying trade, the capital of the merchant is, as it were, divided between two foreign countries, and no part of it is ever necessarily brought home, or placed under his own immediate view and command. The capital which an Amsterdam merchant employs in carrying corn from Konnigsberg to Lisbon, and fruit and wine from Lisbon to Konnigsberg, must generally be the one-half of it at Konnigsberg and the other half at Lisbon. No part of it need ever come to Amsterdam. The natural residence of such a merchant should either be at Konnigsberg or Lisbon, and it can only be some very particular circumstances which can make him prefer the residence of Amsterdam. The uneasiness, however, which he feels at being separated so far from his capital, generally determines him to bring part both of the Konnigsberg goods which he destines for the market of Lisbon, and of the Lisbon goods which he destines for that of Konnigsberg, to Amsterdam: and though this necessarily subjects him to a double charge of loading and unloading, as well as to the payment of some duties and customs, yet for the sake of having some part of his capital always under his own view and command, he willingly submits to this extraordinary charge; and it is in this manner that every country which has any considerable share of the carrying trade, becomes always the emporium, or general market, for the goods of all the different countries whose trade it carries on. The merchant, in order to save a second loading and unloading, endeavours always to sell in the home-market as much of the goods of all those different countries as he can, and thus, so far as he can, to convert his carrying trade into a foreign trade of consumption. A merchant, in the same manner, who is engaged in the foreign trade of consumption, when he collects goods for foreign markets, will always be glad, upon equal or nearly equal profits, to sell as great a part of them at home as he can. He saves himself the risk and trouble of exportation, when, so far as he can, he thus converts his foreign trade of consumption into a home-trade. Home is in this manner the center, if I may say so, round which the capitals of the inhabitants of every country are continually circulating, and towards which they are always tending, though by particular causes they may sometimes be driven off and repelled from it towards more distant employments. But a capital employed in the home-trade, it has already been shown,[1] necessarily puts into motion a greater quantity of domestic industry, and gives revenue and employment to a greater number of the inhabitants of the country, than an equal capital employed in the foreign trade of consumption: and one employed in the foreign trade of consumption has the same advantage over an equal capital employed in the carrying trade. Upon equal, or only nearly equal profits, therefore, every individual naturally inclines to employ his capital in the manner in which it is likely to afford the greatest support to domestic industry, and to give revenue and employment to the greatest number of[2] people of his own country.

---

[1] [Ed. 1 reads 'certain'.]

(2) He endeavours to produce the greatest possible value.

Secondly, every individual who employs his capital in the support of domestic industry, necessarily endeavours so to direct that industry, that its produce may be of the greatest possible value.

---

[1] [Above, pp. 348-352.]

[2] [Ed. 1 reads 'the' here.]

The produce of industry is what it adds to the subject or materials upon which it is employed. In proportion as the value of this produce is great or small, so will likewise be the profits of the employer. But it is only for the sake of profit that any man employs a capital in the support of industry; and he will always, therefore, endeavour to employ it in the support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods.

But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it.

He can judge of this much better than the statesman.

What is the species of domestic industry which his capital can employ, and of which the produce is likely to be of the greatest value, every individual, it is evident, can, in his local situation, judge much better than any statesman or lawgiver can do for him. The statesman, who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would no-where be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.

High duties and prohibitions direct people to employ

To give the monopoly of the home-market to the produce of domestic industry, in any particular art or manufacture, is in some measure to direct private people in what manner they ought to employ their capital in producing at home what they could buy cheaper from abroad.

capitals, and must, in almost all cases, be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. The taylor does not attempt to make his own shoes, but buys them of the shoemaker. The shoemaker does not attempt to make his own clothes, but employs a taylor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of its produce, or what is the same thing, with the price of a part of it, whatever else they have occasion for.

It is as foolish for a nation as for an individual to make what can be bought cheaper.

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished, no more than that of the above-mentioned artificers; but only left to find out the way in which it can be employed with the greatest advantage. It is certainly not employed to the greatest advantage, when it is thus directed towards an object which it can buy cheaper than it can make. The value of its annual produce is certainly more or less diminished, when it is thus turned away from producing commodities evidently of more value than the commodity which it is directed to produce. According to the supposition, that commodity could be purchased from foreign countries cheaper than it can be made at home. It could, therefore, have been purchased with a part only of the commodities, or, what is the same thing, with a part only of the price of the commodities, which the industry employed by an equal capital would have produced at home, had it been left to follow its natural course. The industry of the country, therefore, is thus turned away from a more, to a less advantageous employment, and the exchangeable value of its annual produce, instead of being increased, according to the intention of the lawgiver, must necessarily be diminished by every such regulation.

Sometimes by such regulations

By means of such regulations, indeed, a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country. But though the industry of the society may be thus carried with advantage into a particular channel sooner than it could have been otherwise, it will by no means follow that the sum total, either of its industry, or of its revenue, can ever be augmented by any such regulation. The industry of the society can augment only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue. But the immediate effect of every such regulation is to diminish its revenue, and what diminishes its revenue is certainly not very likely to augment its capital faster than it would have augmented of its own accord, had both capital and industry been left to find out their natural employments.

a manufacture may be established earlier than it would otherwise have been, but this would make capital accumulate slower,

Though for want of such regulations the society should never acquire the proposed manufacture, it would not, upon that account, necessarily be the poorer in any one period of its duration. In every period of its duration its whole capital and industry might still have been employed, though upon different objects, in the manner that was most advantageous at the time. In every period its revenue might have been the greatest which its capital could afford, and both capital and revenue might have been augmented[1] with the greatest possible rapidity.

and the country might always be just as rich if it never acquired the manufacture.

The natural advantages which one country has over another in producing particular commodities are sometimes so great, that it is acknowledged by all the world to be in vain to struggle with them. By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about thirty times the expence for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of the capital and industry of the country, than would be necessary to purchase from foreign countries an equal quantity of the commodities wanted, there must be an absurdity, though not altogether so glaring, yet exactly of the same kind, in turning towards any such employment a thirtieth, or even a three hundredth part more of either. Whether the advantages which one country has over another, be natural or acquired, is in this respect of no consequence. As long as the one country has those advantages, and the other wants them, it will always be more advantageous for the latter, rather to buy of the former than to make. It is an acquired advantage only, which one

No one proposes that a country should strive against great natural advantages, but it is also absurd to strive against smaller advantages whether natural or acquired.

---

[1] [Ed. 1 reads 'augmenting,' which seems more correct.]

artificer has over his neighbour, who exercises another trade; and yet they both find it more advantageous to buy of one another, than to make what does not belong to their particular trades.

Merchants and manufacturers get the most benefit from high duties and prohibitions.

Merchants and manufacturers are the people who derive the greatest advantage from this monopoly of the home-market. The prohibition of the importation of foreign cattle, and of salt provisions, together with the high duties upon foreign corn, which in times of moderate plenty amount to a prohibition,[1] are not near so advantageous to the graziers and farmers of Great Britain, as other regulations of the same kind are to its merchants and manufacturers. Manufactures, those of the finer kind especially, are more easily transported from one country to another than corn or cattle. It is in the fetching and carrying manufactures, accordingly, that foreign trade is chiefly employed. In manufactures, a very small advantage will enable foreigners to undersell our own workmen, even in the home market. It will require a very great one to enable them to do so in the rude produce of the soil. If the free importation of foreign manufactures were[2] permitted, several of the home manufactures would probably suffer, and some of them, perhaps, go to ruin altogether, and a considerable part of the stock and industry at present employed in them, would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.

The free importation of foreign cattle would make no great difference to British graziers.

If the importation of foreign cattle, for example, were made ever so free, so few could be imported, that the grazing trade of Great Britain could be little affected by it. Live cattle are, perhaps, the only commodity of which the transportation is more expensive by sea than by land. By land they carry themselves to market. By sea, not only the cattle, but their food and their water too, must be carried at no small expence and inconveniency. The short sea between Ireland and Great Britain, indeed, renders the importation of Irish cattle more easy. But though the free importation of them, which was lately permitted only for a limited time, were rendered perpetual, it could have no considerable effect upon the interest of the graziers of Great Britain. Those parts of Great Britain which border upon the Irish sea are all grazing countries. Irish cattle could never be imported for their use, but must be drove through those very extensive countries, at no small expence and inconveniency, before they could arrive at their proper market. Fat cattle could not be drove so far. Lean cattle, therefore, only could be imported, and such importation could interfere, not with the interest of the feeding or fattening countries, to which, by reducing the price of lean cattle, it would rather be advantageous, but with that of the breeding countries only. The small number of Irish cattle imported since their importation was permitted, together with the good price at which lean cattle still continue to sell, seem to demonstrate that even the breeding countries of Great Britain are never likely to be much affected by the free importation of Irish cattle. The common people of Ireland, indeed, are said to have sometimes opposed with violence the exportation of their cattle. But if the exporters had found any great advantage in continuing the trade, they could easily, when the law was on their side, have conquered this mobbish opposition.

---

[1] [Above, p. 418, and below, vol. ii., pp. 37, 38.]

[2] [Eds. 1-3 read 'was' here and six lines lower down.]

It might even benefit the cultivated plains at the expense of the rugged mountainous districts.

Feeding and fattening countries, besides, must always be highly improved, whereas breeding countries are generally uncultivated. The high price of lean cattle, by augmenting the value of uncultivated land, is like a bounty against improvement. To any country which was highly improved throughout, it would be more advantageous to import its lean cattle than to breed them. The province of Holland, accordingly, is said to follow this maxim at present. The mountains of Scotland, Wales and Northumberland, indeed, are countries not capable of much improvement, and seem destined by nature to be the breeding countries of Great Britain. The freest importation of foreign cattle could have no other effect than to hinder those breeding countries from taking advantage of the increasing population and improvement of the rest of the kingdom, from raising their price to an exorbitant height, and from laying a real tax upon all the more improved and cultivated parts of the country.

The free importation of salt provisions also would make little difference to the graziers,

The freest importation of salt provisions, in the same manner, could have as little effect upon the interest of the graziers of Great Britain as that of live cattle. Salt provisions are not only a very bulky commodity, but when compared with fresh meat, they are a commodity both of worse quality, and as they cost more labour and expence, of higher price. They could never, therefore, come into competition with the fresh meat, though they might with the salt provisions of the country. They might be used for victualling ships for distant voyages, and such like uses, but could never make any considerable part of the food of the people. The small quantity of salt provisions imported from Ireland since their importation was rendered free, is an experimental proof that our graziers have nothing to apprehend from it. It does not appear that the price of butcher's-meat has ever been sensibly affected by it.

and even the free importation of

Even the free importation of foreign corn could very little affect the interest of the farmers of Great Britain. Corn is a much more bulky corn would not much affect the farmers.

commodity than butcher's-meat. A pound of wheat at a penny is as dear as a pound of butcher's-meat at fourpence. The small quantity of foreign corn imported even in times of the greatest scarcity, may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported one year with another, amounts only, according to the very well informed author of the tracts upon the corn trade, to twenty-three thousand seven hundred and twenty-eight quarters of all sorts of grain, and does not exceed the five hundredth and seventy-one part of the annual consumption.[1] But as the bounty upon corn occasions a greater exportation in years of plenty, so it must of consequence occasion a greater importation in years of scarcity, than in the actual state of tillage[2] would otherwise take place. By means of it, the plenty of one year does not compensate the scarcity of another, and as the average quantity exported is necessarily augmented by it, so must likewise, in the actual state of tillage, the average quantity imported. If there were[3] no bounty, as less corn would be exported, so it is probable that, one year with another, less would be imported than at present. The corn merchants, the fetchers and carriers of corn between Great Britain and foreign countries, would have much less employment, and might suffer considerably; but the country gentlemen and farmers could suffer very little. It is in the corn merchants accordingly, rather than in the country gentlemen and farmers, that I have observed the greatest anxiety for the renewal and continuation of the bounty.

Country gentlemen and farmers are less subject to the spirit of monopoly than merchants and manufacturers.

Country gentlemen and farmers are, to their great honour, of all people, the least subject to the wretched spirit of monopoly. The undertaker of a great manufactory is sometimes alarmed if another work of the same kind is established within twenty miles of him. The Dutch undertaker of the woollen manufacture at Abbeville[4] stipulated, that no work of the same kind should be established within thirty leagues of that city. Farmers and country gentlemen, on the contrary, are generally disposed rather to promote than to obstruct the cultivation and improvement of their neighbours farms and estates. They have no secrets, such as those of the greater part of manufacturers, but are generally rather fond of communicating to their neighbours, and of extending as far as possible any new practice which they have found to be advantageous. *Pius Questus*, says old Cato, *stabilissimusque, minimeque invidiosus; minimeque male cogitantes sunt, qui in eo studio occupati sunt.*[1] Country gentlemen and farmers, dispersed in different parts of the country, cannot so easily combine as merchants and manufacturers, who being collected into towns, and accustomed to that exclusive corporation spirit which prevails in them, naturally endeavour to obtain against all their countrymen, the same exclusive privilege which they generally possess against the inhabitants of their respective towns. They accordingly seem to have been the original inventors of those restraints upon the importation of foreign goods, which secure to them the monopoly of the home-market. It was probably in imitation of them, and to put themselves upon a level with those who, they found, were disposed to oppress them, that the country gentlemen and farmers of Great Britain so far forgot the generosity which is natural to their station, as to demand the exclusive privilege of supplying their countrymen with corn and butcher's-meat. They did not perhaps take time to consider, how much less their interest could be affected by the freedom of trade, than that of the people whose example they followed.

---

[1] [Charles Smith, *Three Tracts on the Corn-Trade and Corn-Laws*, pp. 144-145. The same figure is quoted below, vol. ii., p. 36.]

[2] [Ed. 1 does not contain the words 'in the actual state of tillage'.]

[3] [Eds. 1-3 read 'was'.]

[4] [Joseph Van Robais in 1669.—John Smith, *Memoirs of Wool*, vol. ii., pp. 426, 427, but neither John Smith nor Charles King, *British Merchant*, 1721, vol. ii., pp. 93, 94, gives the particular stipulation mentioned.]

The prohibition of foreign corn and cattle restrains the population.

To prohibit by a perpetual law the importation of foreign corn and cattle, is in reality to enact, that the population and industry of the country shall at no time exceed what the rude produce of its own soil can maintain.

There are two cases which are exceptional,

There seem, however, to be two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry.

(1) when a particular industry is necessary for the defence of the country, like shipping, which is properly encouraged by the act of navigation,

The first is, when some particular sort of industry is necessary for the defence of the country. The defence of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation,[2] therefore, very properly endeavours to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others by heavy burdens upon the shipping of foreign countries. The following are the principal dispositions of this act.

First, all ships, of which the owners, masters, and three-fourths of the mariners are not British subjects, are prohibited, upon pain of forfeiting ship and cargo, from trading to the British settlements and plantations, or from being employed in the coasting trade of Great Britain.[3]

---

[1] [Cato, *De re rustica, ad init.*, but '*Questus*' should of course be '*quæstus*'.]

[2] [12 Car. II., c. 18, 'An act for the encouraging and increasing of shipping and navigation.']

[3] [§§ 1 and 6.]

Secondly, a great variety of the most bulky articles of importation can be brought into Great Britain only, either in such ships as are above described, or in ships of the country where those goods are produced, and of which the owners, masters, and three-fourths of the mariners, are of that particular country; and when imported even in ships of this latter kind, they are subject to double aliens duty. If imported in ships of any other country, the penalty is forfeiture of ship and goods.[1] When this act was made, the Dutch were, what they still are, the great carriers of Europe, and by this regulation they were entirely excluded from being the carriers to Great Britain, or from importing to us the goods of any other European country.

Thirdly, a great variety of the most bulky articles of importation are prohibited from being imported, even in British ships, from any country but that in which they are produced; under pain of forfeiting ship and cargo.[2] This regulation too was probably intended against the Dutch. Holland was then, as now, the great emporium for all European goods, and by this regulation, British ships were hindered from loading in Holland the goods of any other European country.

Fourthly, salt fish of all kinds, whale-fins, whale-bone, oil, and blubber, not caught by and cured on board British vessels, when imported into Great Britain, are subjected to double aliens duty.[3] The Dutch, as they are still the principal, were then the only fishers in Europe that attempted to supply foreign nations with fish. By this regulation, a very heavy burden was laid upon their supplying Great Britain.

a wise act, though dictated by animosity,

When the act of navigation was made, though England and Holland were not actually at war, the most violent animosity subsisted between the two nations. It had begun during the government of the long parliament, which first framed this act,[4] and it broke out soon after in the Dutch wars during that of the Protector and of Charles the Second. It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England.

---

[1] [§§ 8 and 9. Eds. 1 and 2 read 'ship and cargo'. The alteration was probably made in order to avoid wearisome repetition of the same phrase in the three paragraphs.]

[2] [§ 4, which, however, applies to all such goods of foreign growth and manufacture as were forbidden to be imported except in English ships, not only to bulky goods. The words 'great variety of the most bulky articles of importation' occur at the beginning of the previous paragraph, and are perhaps copied here by mistake.]

[3] [§ 5.]

[4] [In 1651, by 'An act for the increase of shipping and encouragement of the navigation of this nation,' p. 1,449 in the collection of Commonwealth Acts.]

and unfavourable to foreign commerce;

The act of navigation is not favourable to foreign commerce, or to the growth of that opulence which can arise from it. The interest of a nation in its commercial relations to foreign nations is, like that of a merchant with regard to the different people with whom he deals, to buy as cheap and to sell as dear as possible. But it will be most likely to buy cheap, when by the most perfect freedom of trade it encourages all nations to bring to it the goods which it has occasion to purchase; and, for the same reason, it will be most likely to sell dear, when its markets are thus filled with the greatest number of buyers. The act of navigation, it is true, lays no burden upon foreign ships that come to export the produce of British industry. Even the ancient aliens duty, which used to be paid upon all goods exported as well as imported, has, by several subsequent acts, been taken off from the greater part of the articles of exportation.[1] But if foreigners, either by prohibitions or high duties, are hindered from coming to sell, they cannot always afford to come to buy; because coming without a cargo, they must lose the freight from their own country to Great Britain. By diminishing the number of sellers, therefore, we necessarily diminish that of buyers, and are thus likely not only to buy foreign goods dearer, but to sell our own cheaper, than if there was a more perfect freedom of trade. As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.

and (2) when there is a tax on the produce of the like home manufacture.

The second case, in which it will generally be advantageous to lay some burden upon foreign for the encouragement of domestic industry, is, when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax should be imposed upon the like produce of the former. This would not give the monopoly of the home market to domestic industry, nor turn towards a particular employment a greater share of the stock and labour of the country, than what would naturally go to it. It would only hinder any part of what would naturally go to it from being turned away by the tax, into a less natural direction, and would leave the competition between foreign and domestic industry, after the tax, as nearly as possible upon the same footing as before it. In Great Britain, when any such tax is laid upon the produce of domestic industry, it is usual at the same time, in order to stop the clamorous complaints of our merchants and manufacturers, that they will be undersold at home, to lay a much heavier duty upon the importation of all foreign goods of the same kind.

---

[1] [By 25 Car. II., c. 6, § 1, except on coal. The plural 'acts' may refer to renewing acts. Anderson, *Commerce*, A.D. 1672.]

Some people say that this principle justifies a general imposition of duties on imports to counterbalance taxes levied at home on necessaries,

This second limitation of the freedom of trade according to some people should, upon some occasions, be extended much farther than to the precise foreign commodities which could come into competition with those which had been taxed at home. When the necessaries of life have been taxed in any country, it becomes proper, they pretend, to tax not only the like necessaries of life imported from other countries, but all sorts of foreign goods which can come into competition with any thing that is the produce of domestic industry. Subsistence, they say, becomes necessarily dearer in consequence of such taxes; and the price of labour must always rise with the price of the labourers subsistence. Every commodity, therefore, which is the produce of domestic industry, though not immediately taxed itself, becomes dearer in consequence of such taxes, because the labour which produces it becomes so. Such taxes, therefore, are really equivalent, they say, to a tax upon every particular commodity produced at home. In order to put domestic upon the same footing with foreign industry, therefore, it becomes necessary, they think, to lay some duty upon every foreign commodity, equal to this enhancement of the price of the home commodities with which it can come into competition.

but there is a difference,

Whether taxes upon the necessaries of life, such as those in Great Britain upon[1] soap, salt, leather, candles, &c. necessarily raise the price of labour, and consequently that of all other commodities, I shall consider hereafter,[2] when I come to treat of taxes. Supposing, however, in the mean time, that they have this effect, and they have it undoubtedly, this general enhancement of the price of all commodities, in consequence of that of labour, is a case which differs in the two following respects from that of a particular commodity, of which the price was enhanced by a particular tax immediately imposed upon it.

since (*a*) the effect of taxes on necessaries cannot be exactly known,

First, it might always be known with great exactness how far the price of such a commodity could be enhanced by such a tax: but how far the general enhancement of the price of labour might affect that of every different commodity about which labour was employed, could never be known with any tolerable exactness. It would be impossible, therefore, to proportion with any tolerable exactness the tax upon every foreign, to this enhancement of the price of every home commodity.

---

[1] [Ed. 1 contains the words ‘malt, beer here.]

[2] [Below, vol. ii., pp. 354-359.]

and (*b*) taxes on necessaries are like poor soil or bad climate: they cannot justify an attempt to give capital an unnatural direction.

Secondly, taxes upon the necessaries of life have nearly the same effect upon the circumstances of the people as a poor soil and a bad climate. Provisions are thereby rendered dearer in the same manner as if it required extraordinary labour and expence to raise them. As in the natural scarcity arising from soil and climate, it would be absurd to direct the people in what manner they ought to employ their capitals and industry, so is it[1] likewise in the artificial scarcity arising from such taxes. To be left to accommodate, as well as they could, their industry to their situation, and to find out those employments in which, notwithstanding their unfavourable circumstances, they might have some advantage either in the home or in the foreign market, is what in both cases would evidently be most for their advantage. To lay a new tax upon them, because they are already overburdened with taxes, and because they already pay too dear for the necessaries of life, to make them likewise pay too dear for the greater part of other commodities, is certainly a most absurd way of making amends.

Taxes on necessaries are commonest in the richest countries because no others could support them.

Such taxes, when they have grown up to a certain height, are a curse equal to the barrenness of the earth and the inclemency of the heavens; and yet it is in the richest and most industrious countries that they have been most generally imposed. No other countries could support so great a disorder. As the strongest bodies only can live and enjoy health, under an unwholesome regimen; so the nations only, that in every sort of industry have the greatest natural and acquired advantages, can subsist and prosper under such taxes. Holland is the country in Europe in which they abound most, and which from peculiar circumstances continues to prosper, not by means of them, as has been most absurdly supposed, but in spite of them.

There are two other possible exceptions to the general principle:

As there are two cases in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry; so there are two others in which it may sometimes be a matter of deliberation; in the one, how far it is proper to continue the free importation of certain foreign goods; and in the other, how far, or in what manner, it may be proper to restore that free importation after it has been for some time interrupted.

(1) Retaliation

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods, is, when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country. Revenge in this case naturally dictates retaliation, and that we should impose the like duties and prohibitions upon the importation of some or all of their manufactures into ours. Nations accordingly seldom fail to retaliate in this manner. The French have been particularly forward to favour their own manufactures by restraining the importation of such foreign goods as could come into competition with them. In this consisted a great part of the policy of Mr. Colbert, who, notwithstanding his great abilities, seems in this case to have been imposed upon by the sophistry of merchants and manufacturers, who are always demanding a monopoly against their countrymen. It is at present the opinion of the most intelligent men in France that his operations of this kind have not been beneficial to his country. That minister, by the tarif of 1667, imposed very high duties upon a great number of foreign manufactures. Upon his refusing to moderate them in favour of the Dutch, they in 1671 prohibited the importation of the wines, brandies and manufactures of France. The war of 1672 seems to have been in part occasioned by this commercial dispute. The peace of Nimeguen put an end to it in 1678, by moderating some of those duties in favour of the Dutch, who in consequence took off their prohibition. It was about the same time that the French and English began mutually to oppress each other's industry, by the like duties and prohibitions, of which the French, however, seem to have set the first example. The spirit of hostility which has subsisted between the two nations ever since, has hitherto hindered them from being moderated on either side. In 1697 the English prohibited the importation of bonelace, the manufacture of Flanders. The government of that country, at that time under the dominion of Spain, prohibited in return the importation of English woollens. In 1700, the prohibition of importing bonelace into England, was taken off upon condition that the importation of English woollens into Flanders should be put on the same footing as before.[1]

---

[1] [Ed. 1 reads 'it is'.]

may be good policy where it is likely to secure the abolition of foreign restraints.

There may be good policy in retaliations of this kind, when there is a probability that they will procure the repeal of the high duties or prohibitions complained of. The recovery of a great foreign market will generally more than compensate the transitory inconveniency of paying dearer during a short time for some sorts of goods. To judge whether such retaliations are likely to produce such an effect, does not, perhaps, belong so much to the science of a legislator, whose deliberations ought to be governed by general principles which are always the same, as to the skill of that insidious and crafty animal, vulgarly called a statesman or politician, whose councils are directed by the momentary fluctuations of affairs. When there is no probability that any such repeal can be procured, it seems a bad method of compensating the injury done to certain classes of our people, to do another injury ourselves, not only to those classes, but to[1] almost all the other classes of them. When our neighbours prohibit some manufacture of ours, we generally prohibit, not only the same, for that alone would seldom affect them considerably, but some other manufacture of theirs. This may no doubt give encouragement to some particular class of workmen among ourselves, and by excluding some of their rivals, may enable them to raise their price in the home-market. Those workmen, however, who suffered by our neighbours prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours prohibition, but of some other class.

---

[1] [The importation of bone lace was prohibited by 13 and 14 Car. II., c. 13, and 9, and 10 W. III., c. 9, was passed to make the prohibition more effectual. By 11 and 12 W. III., c. 11, it was provided that the prohibition should cease three months after English woollen manufactures were readmitted to Flanders.]

(2) It may be desirable to introduce freedom of trade by slow gradations.

The case in which it may sometimes be a matter of deliberation, how far, or in what manner, it is proper to restore the free importation of foreign goods, after it has been for some time interrupted, is, when particular manufactures, by means of high duties or prohibitions upon all foreign goods which can come into competition with them, have been so far extended as to employ a great multitude of hands. Humanity may in this case require that the freedom of trade should be restored only by slow gradations, and with a good deal of reserve and circumspection. Were those high duties and prohibitions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market, as to deprive all at once many thousands of our people of their ordinary employment and means of subsistence. The disorder which this would occasion might no doubt be very considerable. It would in all probability, however, be much less than is commonly imagined, for the two following reasons:

But the disorder occasioned by its sudden introduction would be less than is supposed since

(*a*) no manufacture which is now exported would be affected;

First, all those manufactures, of which any part is commonly exported to other European countries without a bounty, could be very little affected by the freest importation of foreign goods. Such manufactures must be sold as cheap abroad as any other foreign goods of the same quality and kind, and consequently must be sold cheaper at home. They would still, therefore, keep possession of the home market, and though a capricious man of fashion might sometimes prefer foreign wares, merely because they were foreign, to cheaper and better goods of the same kind that were made at home, this folly could, from the nature of things, extend to so few, that it could make no sensible impression upon the general employment of the people. But a great part of all the different branches of our woollen manufacture, of our tanned leather, and of our hard-ware, are annually exported to other European countries without any bounty, and these are the manufactures which employ the greatest number of hands. The silk, perhaps, is the manufacture which would suffer the most by this freedom of trade, and after it the linen, though the latter much less than the former.

---

[1] [Ed. 1 reads 'injury ourselves, both to those classes and to']

(*b*) the people thrown out of one employment would easily find another,

Secondly, though a great number of people should, by thus restoring the freedom of trade, be thrown all at once out of their ordinary employment and common method of subsistence, it would by no means follow that they would thereby be deprived either of employment or subsistence. By the reduction of the army and navy at the end of the late war, more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment; but, though they no doubt suffered some inconveniency, they were not thereby deprived of all employment and subsistence. The greater part of the seamen, it is probable, gradually betook themselves to the merchant-service as they could find occasion, and in the meantime both they and the soldiers were absorbed in the great mass of the people, and employed in a great variety of occupations. Not only no great convulsion, but no sensible disorder arose from so great a change in the situation of more than a hundred thousand men, all accustomed to the use of arms, and many of them to rapine and plunder. The number of vagrants was scarce any-where sensibly increased by it, even the wages of labour were not reduced by it in any occupation, so far as I have been able to learn, except in that of seamen in the merchant-service. But if we compare together the habits of a soldier and of any sort of manufacturer, we shall find that those of the latter do not tend so much to disqualify him from being employed in a new trade, as those of the former from being employed in any. The manufacturer has always been accustomed to look for his subsistence from his labour only: the soldier to expect it from his pay. Application and industry have been familiar to the one; idleness and dissipation to the other. But it is surely much easier to change the direction of industry from one sort of labour to another, than to turn idleness and dissipation to any. To the greater part of manufactures besides, it has already been observed,[1] there are other collateral manufactures of so similar a nature, that a workman can easily transfer his industry from one of them to another. The greater part of such workmen too are occasionally employed in country labour. The stock which employed them in a particular manufacture before, will still remain in the country to employ an equal number of people in some other way. The capital of the country remaining the same, the demand for labour will likewise be the same, or very nearly the same, though it may be exerted in different places and for different occupations. Soldiers and seamen, indeed, when discharged from the king's service, are at liberty to exercise any trade, within any town or place of Great Britain or Ireland.[1] Let the same natural liberty of exercising what species of industry they please, be restored to all his majesty's subjects, in the same manner as to soldiers and seamen; that is, break down the exclusive privileges of corporations, and repeal the statute of apprenticeship, both which are real encroachments upon natural liberty, and add to these the repeal of the law of settlements, so that a poor workman, when thrown out of employment either in one trade or in one place, may seek for it in another trade or in another place, without the fear either of a prosecution or of a removal, and neither the public nor the individuals will suffer much more from the occasional disbanding some particular classes of manufacturers, than from that of soldiers. Our manufacturers have no doubt great merit with their country, but they cannot have more than those who defend it with their blood, nor deserve to be treated with more delicacy.

---

[1] [Above, p. 136.]

especially if the privileges of corporations and the law of settlement were abolished.

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia[2] should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many

Private interests are too strong to allow of the restoration of freedom of trade in Great Britain occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.

---

[1] [12 Car. II., c. 16; 12 Ann., st. 1, § 13; 3 Geo. III., c. 8, gave this liberty after particular wars.]

[2] [Ed. 1 reads 'Utopea'.]

The fact that equitable regard is due to the manufacturer who has fixed capital in his business is an argument against the establishment of new monopolies.

The undertaker of a great manufacture, who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in workhouses, and in the instruments of trade, could scarce be disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into the constitution of the state, which it will be difficult afterwards to cure without occasioning another disorder.

Customs duties imposed for revenue remain to be considered hereafter.

How far it may be proper to impose taxes upon the importation of foreign goods, in order, not to prevent their importation, but to raise a revenue for government, I shall consider hereafter when I come to treat of taxes.[1] Taxes imposed with a view to prevent, or even to diminish importation, are evidently as destructive of the revenue of the customs as of the freedom of trade.

---

[1] [Below, vol. ii., pp. 378-383.]

CHAPTER III

OF THE EXTRAORDINARY RESTRAINTS UPON THE IMPORTATION OF GOODS OF ALMOST ALL KINDS, FROM THOSE COUNTRIES WITH WHICH THE BALANCE IS SUPPOSED TO BE DISADVANTAGEOUS

PART I

Of the Unreasonableness of those Restraints even upon the Principles of the Commercial System[1]

British restraints on imports from France are an example.

TO lay extraordinary restraints upon the importation of goods of almost all kinds, from those particular countries with which the balance of trade is supposed to be disadvantageous, is the second expedient by which the commercial system proposes to increase the quantity of gold and silver. Thus in Great Britain, Silesia lawns may be imported for home consumption, upon paying certain duties. But French cambrics and lawns are prohibited to be imported, except into the port of London, there to be warehoused for exportation.[2] Higher duties are imposed upon the wines of France than upon those of Portugal, or indeed of any other country. By what is called the impost 1692,[3] a duty of five and twenty per cent., of the rate or value, was laid upon all French goods; while the goods of other nations were, the greater part of them, subjected to much lighter duties, seldom exceeding five per cent. The wine, brandy, salt and vinegar of France were indeed excepted; these commodities being subjected to other heavy duties, either by other laws, or by particular clauses of the same law. In 1696, a second duty of twenty-five per cent., the first not having been thought a sufficient discouragement, was imposed upon all French goods, except brandy; together with a new duty of five and twenty pounds upon the ton of French wine, and another of fifteen pounds upon the ton of

---

[1] [Ed. 1 contains no part headings and does not divide the chapter into parts.]

[2] [18 Geo. II., c. 36; 7 Geo. III., c. 43.]

[3] [4 W. and M., c. 5, § 2.]

French vinegar.[1] French goods have never been omitted in any of those general subsidies, or duties of five per cent., which have been imposed upon all, or the greater part of the goods enumerated in the book of rates. If we count the one third and two third subsidies as making a complete subsidy between them, there have been five of these general subsidies;[2] so that before the commencement of the present war seventy-five per cent. may be considered as the lowest duty, to which the greater part of the goods of the growth, produce, or manufacture of France were liable. But upon the greater part of goods, those duties are equivalent to a prohibition. The French in their turn have, I believe, treated our goods and manufactures just as hardly; though I am not so well acquainted with the particular hardships which they have imposed upon them. Those mutual restraints have put an end to almost all fair commerce between the two nations, and smugglers are now the principal importers, either of British goods into France, or of French goods into Great Britain. The principles which I have been examining in the foregoing chapter took their origin from private interest and the spirit of monopoly; those which I am going to examine in this, from national prejudice and animosity.[3] They are, accordingly, as might well be expected, still more unreasonable. They are so, even upon the principles of the commercial system.

Such restraints are unreasonable on the principles of the mercantile system, since

(1) if free trade with France did lead to an unfavourable balance with France, it might yet not do so with the world in general,

First, though it were certain that in the case of a free trade between France and England, for example, the balance would be in favour of France, it would by no means follow that such a trade would be disadvantageous to England, or that the general balance of its whole trade would thereby be turned more against it. If the wines of France are better and cheaper than those of Portugal, or its linens than those of Germany, it would be more advantageous for Great Britain to purchase both the wine and the foreign linen which it had occasion for of France, than of Portugal and Germany. Though the value of the annual importations from France would thereby be greatly augmented, the value of the whole annual importations would be diminished, in proportion as the French goods of the same quality were cheaper than those of the other two countries. This would be the case, even upon the supposition that the whole French goods imported were to be consumed in Great Britain.

---

[1] [7 and 8 W. III., c. 20; but wine and vinegar were excepted from the general increase of 25 per cent. as well as brandy, upon which the additional duty was £30 per ton of single proof and £60 per ton of double proof.]

[2] [See below, vol. ii., pp. 363, 364.]

[3] [Nearly all the matter from the beginning of the chapter to this point appears first in Additions and Corrections and ed. 3. Eds. 1 and 2 contain only the first sentence of the chapter and then proceed, 'Thus in Great Britain higher duties are laid upon the wines of France than upon those of Portugal. German linen may be imported upon paying certain duties; but French linen is altogether prohibited. The principles which I have been examining took their origin from private interest and the spirit of monopoly; those which I am going to examine from national prejudice and animosity.']

(2) a part of French imports might be re-exported and bring back gold and silver,

But, secondly, a great part of them might be re-exported to other countries, where, being sold with profit, they might bring back a return equal in value, perhaps, to the prime cost of the whole French goods imported. What has frequently been said of the East India trade[1] might possibly be true of the French; that though the greater part of East India goods were bought with gold and silver, the re-exportation of a part of them to other countries, brought back more gold and silver to that which carried on the trade than the prime cost of the whole amounted to. One of the most important branches of the Dutch trade, at present, consists in the carriage of French goods to other European countries. Some part[2] even of the French wine drank in Great Britain is clandestinely imported from Holland and Zealand. If there was either a free trade between France and England, or if French goods could be imported upon paying only the same duties as those of other European nations, to be drawn back upon exportation, England might have some share of a trade which is found so advantageous to Holland.

and (3) the balance cannot be certainly known:

Thirdly, and lastly, there is no certain criterion by which we can determine on which side what is called the balance between any two countries lies, or which of them exports to the greatest value. National prejudice and animosity, prompted always by the private interest of particular traders, are the principles which generally direct our judgment upon all questions concerning it. There are two criterions, however, which have frequently been appealed to upon such occasions, the custom-house books and the course of exchange. The custom-house books, I think, it is now generally acknowledged, are a very uncertain criterion, on account of the inaccuracy of the valuation at which the greater part of goods are rated in them. The course of exchange[3] is, perhaps, almost equally so.

custom-house books are useless,

and the course of exchange is little better.

When the exchange between two places, such as London and Paris, is at par, it is said to be a sign that the debts due from London to Paris are compensated by those due from Paris to London. On the contrary, when a premium is paid at London for a bill upon Paris, it is said to be a sign that the debts due from London to Paris are not compensated by those due from Paris to London, but that a balance in money must be sent out from the latter place; for the risk, trouble, and expence of exporting which, the premium is both demanded and given. But the ordinary state of debt and credit between those two cities must necessarily be regulated, it is said, by the ordinary course of their dealings with one another. When neither of them imports from the other to a greater amount than it exports to that other, the debts and credits of each may compensate one another. But when one of them imports from the other to a greater value than it exports to that other,[1] the former necessarily becomes indebted to the latter in a greater sum than the latter becomes indebted to it: the debts and credits of each do not compensate one another, and money must be sent out from that place of which the debts over-balance the credits. The ordinary[2] course of exchange, therefore, being an indication of the ordinary state of debt and credit between two places, must likewise be an indication of the ordinary course of their exports and imports, as these necessarily regulate that state.

---

[1] [See Anderson, *Commerce*, A.D. 1601, and see above, pp. 398-399.]

[2] [Ed. 1 reads 'a great part'.]

[3] [Ed. 1 reads 'The course of exchange, at least as it has hitherto been estimated, is, perhaps, almost equally so.']

A favourable exchange with a particular country does not prove a favourable balance with that country.

But though the ordinary course of exchange should be allowed to be a sufficient indication of the ordinary state of debt and credit between any two places, it would not from thence follow, that the balance of trade was in favour of that place which had the ordinary state of debt and credit in its favour. The ordinary state of debt and credit between any two places is not always entirely regulated by the ordinary course of their dealings with one another; but is often influenced by that of the dealings of either with many other places. If it is usual, for example, for the merchants of England to pay for the goods which they buy of Hamburgh, Dantzic, Riga, &c. by bills upon Holland, the ordinary state of debt and credit between England and Holland will not be regulated entirely by the ordinary course of the dealings of those two countries with one another, but will be influenced by that of the dealings of England with those other places. England may be obliged to send out every year money to Holland, though its annual exports to that country may exceed very much the annual value of its imports from thence; and though what is called the balance of trade may be very much in favour of England.[3]

Besides, the ordinary computation of exchange is often mis-

In the way, besides, in which the par of exchange has hitherto been computed, the ordinary course of exchange can afford no sufficient indication that the ordinary state of debt and credit is in favour of that country which seems to have, or which is supposed to have, the ordinary course of exchange in its favour: or, in other words, the real exchange may be, and, in fact, often is so very different from the computed one, that from the course of the latter, no certain conclusion can, upon many occasions, be drawn concerning that of the former.[1]

---

[1] [Here and three lines above eds. 1 and 2 read 'it' instead of 'that other'.]

[2] [Ed. 1 reads 'common'.]

[3] [This paragraph is absent in ed. 1, but the substance of it occurs in a paragraph lower down, omitted in ed. 2 and later eds. See below, p. 452, note 3.]

leading, since

When for a sum of money paid in England, containing, according to the standard of the English mint, a certain number of ounces of pure silver, you receive a bill for a sum of money to be paid in France, containing, according to the standard of the French mint, an equal number of ounces of pure silver, exchange is said to be at par between England and France. When you pay more, you are supposed to give a premium, and exchange is said to be against England, and in favour of France. When you pay less, you are supposed to get a premium, and exchange is said to be against France, and in favour of England.

(1) money is often below its nominal standard.

But, first, we cannot always judge of the value of the current money of different countries by the standard[2] of their respective mints. In some it is more, in others it is less worn, clipt, and otherwise degenerated from that standard. But the value of the current coin of every country, compared with that of any other country, is in proportion not to the quantity of pure silver which it ought to contain, but to that which it actually does contain. Before the reformation of the silver coin in king William's time, exchange between England and Holland, computed, in the usual manner, according to the standard of their respective mints, was five and twenty per cent. against England. But the value of the current coin of England, as we learn from Mr. Lowndes, was at that time rather more than five and twenty per cent. below its standard value.[3] The real exchange, therefore, may even at that time have been in favour of England, notwithstanding the computed exchange was so much against it; a smaller number of ounces of pure silver, actually paid in England, may have purchased a bill for a greater number of ounces of pure silver to be paid in Holland, and the man who was supposed to give, may in reality have got the premium. The French coin was, before the late reformation of the English gold coin, much less worn than the English, and was, perhaps, two or three per cent. nearer its standard. If the computed exchange with France, therefore, was not more than two or three per cent. against England, the real exchange might have been in its favour.

---

[1] [In place of this paragraph ed. 1 reads, 'But though this doctrine, of which some part is, perhaps, not a little doubtful, were supposed ever so certain, the manner in which the par of exchange has hitherto been computed renders uncertain every conclusion that has ever yet been drawn from it'.]

[2] [Ed. 1 reads 'standards' here and seven lines lower.]

[3] [See above p. 194.]

Since the reformation of the gold coin, the exchange has been constantly in favour of England, and against France.

(2) coin is sometimes raised by seignorage above the value of the bullion contained in it,

Secondly, in some countries, the expence of coinage is defrayed by the government; in others, it is defrayed by the private people who carry their bullion to the mint, and the government even derives some revenue from the coinage. In England, it is defrayed by the government, and if you carry a pound weight of standard silver to the mint, you get back sixty-two shillings, containing a pound weight of the like standard silver. In France, a duty of eight per cent. is deducted for the coinage, which not only defrays the expence of it, but affords a small revenue to the government.[1] In England, as the coinage costs nothing, the current coin can never be much more valuable than the quantity of bullion which it actually contains. In France, the workmanship, as you pay for it, adds to the value, in the same manner as to that of wrought plate. A sum of French money, therefore, containing a certain weight of pure silver, is more valuable than a sum of English money containing an equal weight of pure silver, and must require more bullion, or other commodities, to purchase it. Though the current coin of the two countries, therefore, were equally near the standards of their respective mints, a sum of English money could not well purchase a sum of French money, containing an equal number of ounces of pure silver, nor consequently a bill upon France for such a sum. If for such a bill no more additional money was paid than what was sufficient to compensate the expence of the French coinage, the real exchange might be at par between the two countries, their debts and credits might mutually compensate one another, while the computed exchange was considerably in favour of France. If less than this was paid, the real exchange might be in favour of England, while the computed was in favour of France.

and (3) bank money bears an agio.

Thirdly, and lastly, in some places, as at Amsterdam, Hamburgh, Venice, &c. foreign bills of exchange are paid in what they call bank money; while in others, as at London, Lisbon, Antwerp, Leghorn, &c. they are paid in the common currency of the country. What is called bank money is always of more value than the same nominal sum of common currency. A thousand guilders in the bank of Amsterdam, for example, are of more value than a thousand guilders of Amsterdam currency. The difference between them is called the agio of the bank,[2] which, at Amsterdam, is generally about five per cent. Supposing the current money of two[1] countries equally near to the standard of their respective mints, and that the one pays foreign bills in this common currency, while the other pays them in bank money, it is evident that the computed exchange may be in favour of that which pays in bank money, though the real exchange should be in favour of that which pays in current money; for the same reason that the computed exchange may be in favour of that which pays in better money, or in money nearer to its own standard, though the real exchange should be in favour of that which pays in worse. The computed exchange, before the late reformation of the gold coin, was generally against London with Amsterdam, Hamburgh, Venice, and, I believe, with all other places which pay in what is called bank money. It will by no means follow, however, that the real exchange was against it. Since the reformation of the gold coin, it has been in favour of London even with those places. The computed exchange has generally been in favour of London with Lisbon, Antwerp, Leghorn, and, if you except France, I believe, with most other parts of Europe that pay in common currency; and it is not improbable that the real exchange was so too.

---

[1] [This erroneous statement has already been made, vol. i., p. 47; see below, vol ii., p. 53, for details.]

[2] [Already mentioned above, vol. i., p. 311.]

Digression concerning Banks of Deposit, particularly concerning that of Amsterdam[2]

Small states must admit foreign coin, which is of uncertain value.

THE currency of a great state, such as France or England, generally consists almost entirely of its own coin. Should this currency, therefore, be at any time worn, clipt, or otherwise degraded below its standard value, the state by a reformation of its coin can effectually re-establish its currency. But the currency of a small state, such as Genoa or Hamburgh, can seldom consist altogether in its own coin, but must be made up, in a great measure, of the coins of all the neighbouring states with which its inhabitants have a continual intercourse. Such a state, therefore, by reforming its coin, will not always be able to reform its currency. If foreign bills of exchange are paid in this currency, the uncertain value of any sum, of what is in its own nature so uncertain, must render the exchange always very much against such a state, its currency being, in all foreign states, necessarily valued even below what it is worth.

Banks are then established to pay in standard money re-

In order to remedy the inconvenience to which this disadvantageous exchange must have subjected their merchants, such small states, when they began to attend to the interest of trade, have frequently enacted, gardless of the condition of the coin, and this money bears an agio.

---

[1] [Ed. 2 and later eds. read erroneously 'of the two'.]

[2] [See the preface to the 4th ed., above.]

that foreign bills of exchange of a certain value should be paid, not in common currency, but by an order upon, or by a transfer in the books of a certain bank, established upon the credit, and under the protection of the state; this bank being always obliged to pay, in good and true money, exactly according to the standard of the state. The banks of Venice, Genoa, Amsterdam, Hamburgh, and Nuremberg, seem to have been all originally established with this view, though some of them may have afterwards been made subservient to other purposes. The money of such banks being better than the common currency of the country, necessarily bore an agio, which was greater or smaller, according as the currency was supposed to be more or less degraded below the standard of the state. The agio of the bank of Hamburgh, for example, which is said to be commonly about fourteen per cent. is the supposed difference between the good standard money of the state, and the clipt, worn, and diminished currency poured into it from all the neighbouring states.

Before 1609 the common currency of Amsterdam was 9 per cent. below the standard.

Before 1609 the great quantity of clipt and worn foreign coin, which the extensive trade of Amsterdam brought from all parts of Europe, reduced the value of its currency about nine per cent. below that of good money fresh from the mint. Such money no sooner appeared than it was melted down or carried away, as it always is in such circumstances. The merchants, with plenty of currency, could not always find a sufficient quantity of good money to pay their bills of exchange; and the value of those bills, in spite of several regulations which were made to prevent it, became in a great measure uncertain.

The bank was then established to receive and pay coin at its intrinsic value in good standard money.

In order to remedy these inconveniencies, a bank was established in 1609 under the guarantee of the city. This bank received both foreign coin, and the light and worn coin of the country at its real intrinsic value in the good standard money of the country, deducting only so much as was necessary for defraying the expence of coinage, and the other necessary expence of management. For the value which remained, after this small deduction was made, it gave a credit in its books. This credit was called bank money, which, as it represented money exactly according to the standard of the mint, was always of the same real value, and intrinsically worth more than current money. It was at the same time enacted, that all bills drawn upon or negotiated at Amsterdam of the value of six hundred guilders and upwards should be paid in bank money, which at once took away all uncertainty in the value of those bills. Every merchant, in consequence of this regulation, was obliged to keep an account with the bank in order to pay his foreign bills of exchange, which necessarily occasioned a certain demand for bank money.

Money in the bank was not only up to the standard, but also secure and easily transferred, so that it bore an agio.

Bank money, over and above both its intrinsic superiority to currency, and the additional value which this demand necessarily gives it, has likewise some other advantages. It is secure from fire, robbery, and other accidents; the city of Amsterdam is bound for it; it can be paid away by a simple transfer, without the trouble of counting, or the risk of transporting it from one place to another. In consequence of those different advantages, it seems from the beginning to have borne an agio, and it is generally believed that all the money originally deposited in the bank was allowed to remain there, nobody caring to demand payment of a debt which he could sell for a premium in the market. By demanding payment of the bank, the owner of a bank credit would lose this premium. As a shilling fresh from the mint will buy no more goods in the market than one of our common worn shillings, so the good and true money which might be brought from the coffers of the bank into those of a private person, being mixed and confounded with the common currency of the country, would be of no more value than that currency, from which it could no longer be readily distinguished. While it remained in the coffers of the bank, its superiority was known and ascertained. When it had come into those of a private person, its superiority could not well be ascertained without more trouble than perhaps the difference was worth. By being brought from the coffers of the bank, besides, it lost all the other advantages of bank money; its security, its easy and safe transferability, its use in paying foreign bills of exchange. Over and above all this, it could not be brought from those coffers, as it will appear by and by, without previously paying for the keeping.

The bank receives bullion as well as coin, giving in exchange a credit in bank money to 95 per cent. of the value.

It also gives a receipt which entitles the bearer to recover the bullion on repaying the

Those deposits of coin, or those deposits which[1] the bank was bound to restore in coin, constituted the original capital of the bank, or the whole value of what was represented by what is called bank money. At present they are supposed to constitute but a very small part of it. In order to facilitate the trade in bullion, the bank has been for these many years in the practice of giving credit in its books upon deposits of gold and silver bullion. This credit is generally about five per cent. below the mint price of such bullion. The bank grants at the same time what is called a recipice or receipt, intitling the person who makes the deposit, or the bearer, to take out the bullion again at any time within six months, upon retransferring to the bank a quantity of bank money equal to that for which credit had been given in its books sum advanced and paying ¼ per cent. for silver and ½ per cent. for gold.

---

[1] [Ed. 1 reads 'Those deposits of coin, or which'.]

when the deposit was made, and upon paying one-fourth per cent. for the keeping, if the deposit was in silver; and one-half per cent. if it was in gold; but at the same time declaring, that in default of such payment, and upon the expiration of this term, the deposit should belong to the bank at the price at which it had been received, or for which credit had been given in the transfer books. What is thus paid for the keeping of the deposit may be considered as a sort of warehouse rent; and why this warehouse rent should be so much dearer for gold than for silver, several different reasons have been assigned. The fineness of gold, it has been said, is more difficult to be ascertained than that of silver. Frauds are more easily practised, and occasion a greater loss in the more precious metal. Silver, besides, being the standard metal, the state, it has been said, wishes to encourage more the making of deposits of silver than those of gold.[1]

The receipts are generally worth something, and are renewed at the end of each six months.

Deposits of bullion are most commonly made when the price is somewhat lower than ordinary; and they are taken out again when it happens to rise. In Holland the market price of bullion is generally above the mint price, for the same reason that it was so in England before the late reformation of the gold coin. The difference is said to be commonly from about six to sixteen stivers upon the mark, or eight ounces of silver of eleven parts fine, and one part alloy. The bank price, or the credit which the bank gives for deposits of such silver (when made in foreign coin, of which the fineness is well known and ascertained, such as Mexico dollars), is twenty-two guilders the mark; the mint price is about twenty-three guilders, and the market price is from twenty-three guilders six, to twenty-three guilders sixteen stivers, or from two to three per cent. above the mint price.[2] The proportions

---

[1] [Eds. 1-3 have the more correct but awkward reading 'than of those of gold'.]

[2] The following are the prices at which the bank of Amsterdam at present (September 1775) receives bullion and coin of different kinds:

SILVER.

	Guilders.
Mexico dollars French crowns English silver coin	B—22 per mark.
Mexico dollars new coin	21 10
Ducatoons	3
Rix dollars	2 8

Bar silver containing $\frac{11}{12}$ fine silver 21 per mark, and in this proportion down to $\frac{1}{4}$ fine, on which 5 guilders are given.

Fine bars, 23 per mark.

GOLD.

Portugal coin Guineas Louis d'ors new	B—310 per mark.
Ditto old	300
New ducats	4 19 8 per ducat.

Bar or ingot gold is received in proportion to its fineness compared with the above foreign between the bank price, the mint price, and the market price of gold bullion, are nearly the same. A person can generally sell his receipt for the difference between the mint price of bullion and the market price. A receipt for bullion is almost always worth something, and it very seldom happens, therefore, that any body suffers his receipt to expire, or allows his bullion to fall to the bank at the price at which it had been received, either by not taking it out before the end of the six months, or by neglecting to pay the one-fourth or one-half per cent. in order to obtain a new receipt for another six months. This, however, though it happens seldom, is said to happen sometimes, and more frequently with regard to gold, than with regard to silver, on account of the higher warehouse-rent which is paid for the keeping of the more precious metal.

The depositor usually parts with his receipt.

The person who by making a deposit of bullion obtains both a bank credit and a receipt, pays his bills of exchange as they become due with his bank credit; and either sells or keeps his receipt according as he judges that the price of bullion is likely to rise or to fall. The receipt and the bank credit seldom keep long together, and there is no occasion that they should. The person who has a receipt, and who wants to take out bullion, finds always plenty of bank credits, or bank money to buy at the ordinary price; and the person who has bank money, and wants to take out bullion, finds receipts always in equal abundance.

The bank money and the receipt together equal in value the bullion deposited.

The owners of bank credits, and the holders of receipts, constitute two different sorts of creditors against the bank. The holder of a receipt cannot draw out the bullion for which it is granted, without re-assigning to the bank a sum of bank money equal to the price at which the bullion had been received. If he has no bank money of his own, he must purchase it of those who have it. The owner of bank money cannot draw out bullion without producing to the bank receipts for the quantity which he wants. If he has none of his own, he must buy them of those who have them. The holder of a receipt, when he purchases bank money, purchases the power of taking out a quantity of bullion, of which the mint price is five per cent. above the bank price. The agio of five per cent. therefore, which he commonly pays for it, is paid, not for an imaginary, but for a real value. The owner of bank money, when he purchases a receipt, purchases the power of taking out a quantity of bullion of which the market price is commonly

---

gold coin. Upon fine bars the bank gives 340 per mark. In general, however, something more is given upon coin of a known fineness, than upon gold and silver bars, of which the fineness cannot be ascertained but by a process of melting and assaying.

from two to three per cent. above the mint price. The price which he pays for it, therefore, is paid likewise for a real value. The price of the receipt, and the price of the bank money, compound or make up between them the full value or price of the bullion.

Receipts for current coin are also given, but these are often of no value and are allowed to expire.

Upon deposits of the coin current in the country, the bank grants receipts likewise as well as bank credits; but those receipts are frequently of no value, and will bring no price in the market. Upon ducatoons, for example, which in the currency pass for three guilders three stivers each, the bank gives a credit of three guilders only, or five per cent. below their current value. It grants a receipt likewise intitling the bearer to take out the number of ducatoons deposited at any time within six months, upon paying one-fourth per cent. for the keeping. This receipt will frequently bring no price in the market. Three guilders bank money generally sell in the market for three guilders three stivers, the full value of the ducatoons, if they were taken out of the bank; and before they can be taken out, one-fourth per cent. must be paid for the keeping, which would be mere loss to the holder of the receipt. If the agio of the bank, however, should at any time fall to three per cent. such receipts might bring some price in the market, and might sell for one and three-fourths per cent. But the agio of the bank being now generally about five per cent. such receipts are frequently allowed to expire, or, as they express it, to fall to the bank. The receipts which are given for deposits of gold ducats fall to it yet more frequently, because a higher warehouse-rent, or one-half per cent. must be paid for the keeping of them before they can be taken out again. The five per cent. which the bank gains, when deposits either of coin or bullion are allowed to fall to it, may be considered as the warehouse-rent for the perpetual keeping of such deposits.

So there is a considerable sum of bank money for which the receipts have expired, but it is not a large proportion of the whole.

The sum of bank money for which the receipts are expired must be very considerable. It must comprehend the whole original capital of the bank, which, it is generally supposed, has been allowed to remain there from the time it was first deposited, nobody caring either to renew his receipt or to take out his deposit, as, for the reasons already assigned, neither the one nor the other could be done without loss. But whatever may be the amount of this sum, the proportion which it bears to the whole mass of bank money is supposed to be very small. The bank of Amsterdam has for these many years past been the great warehouse of Europe for bullion, for which the receipts are very seldom allowed to expire, or, as they express it, to fall to the bank. The far greater part of the bank money, or of the credits upon the books of the bank, is supposed to have been created, for these many years past, by such deposits which the dealers in bullion are continually both making and withdrawing.

This cannot be drawn out of the bank.

No demand can be made upon the bank but by means of a recipice or receipt. The smaller mass of bank money, for which the receipts are expired, is mixed and confounded with the much greater mass for which they are still in force; so that, though there may be a considerable sum of bank money, for which there are no receipts, there is no specific sum or portion of it, which may not at any time be demanded by one. The bank cannot be debtor to two persons for the same thing; and the owner of bank money who has no receipt, cannot demand payment of the bank till he buys one. In ordinary and quiet times, he can find no difficulty in getting one to buy at the market price, which generally corresponds with the price at which he can sell the coin or bullion it intitles him to take out of the bank.

So that if all the holders of bank money desired to exchange it for coin and bullion receipts might command an exorbitant price,

It might be otherwise during a public calamity; an invasion, for example, such as that of the French in 1672. The owners of bank money being then all eager to draw it out of the bank, in order to have it in their own keeping, the demand for receipts might raise their price to an exorbitant height. The holders of them might form extravagant expectations, and, instead of two or three per cent. demand half the bank money for which credit had been given upon the deposits that the receipts had respectively been granted for. The enemy, informed of the constitution of the bank, might even buy them up, in order to prevent the carrying away of the treasure. In such emergencies, the bank, it is supposed, would break through its ordinary rule of making payment only to the holders of receipts. The holders of receipts, who had no bank money, must have received within two or three per cent. of the value of the deposit for which their respective receipts had been granted. The bank, therefore, it is said, would in this case make no scruple of paying, either with money or bullion, the full value of what the owners of bank money who could get no receipts were credited for in its books; paying at the same time two or three per cent. to such holders of receipts as had no bank money, that being the whole value which in this state of things could justly be supposed due to them.

but it is supposed in an emergency the bank would pay out money or bullion without receipts being offered.

Of late years the bank has always sold bank money at 5 per cent. agio and bought at 4 per cent.

Even in ordinary and quiet times it is the interest of the holders of receipts to depress the agio, in order either to buy bank money (and consequently the bullion, which their receipts would then enable them to take out of the bank) so much cheaper, or to sell their receipts to those who have bank money, and who want to take out bullion, so much dearer; the price of a receipt being generally equal to the difference between the market price of bank money, and that of the coin or bullion for which the receipt had been granted. It is the interest of the owners of bank money, on the contrary, to raise the agio, in order either to sell their bank money so much dearer, or to buy a receipt so much cheaper. To prevent the stock-jobbing tricks which those opposite interests might sometimes occasion, the bank has of late years come to the resolution to sell at all times bank money for currency, at five per cent. agio, and to buy it in again at four per cent. agio. In consequence of this resolution, the agio can never either rise above five, or sink below four per cent. and the proportion between the market price of bank and that of current money, is kept at all times very near to the proportion between their intrinsic values. Before this resolution was taken, the market price of bank money used sometimes to rise so high as nine per cent. agio, and sometimes to sink so low as par, according as opposite interests happened to influence the market.

It professes to lend out no part of the deposits.

The bank of Amsterdam professes to lend out no part of what is deposited with it, but, for every guilder for which it gives credit in its books, to keep in its repositories the value of a guilder either in money or bullion. That it keeps in its repositories all the money or bullion for which there are receipts in force, for which it is at all times liable to be called upon, and which, in reality, is continually going from it and returning to it again, cannot well be doubted. But whether it does so likewise with regard to that part of its capital, for which the receipts are long ago expired, for which in ordinary and quiet times it cannot be called upon, and which in reality is very likely to remain with it for ever, or as long as the States of the United Provinces subsist, may perhaps appear more uncertain. At Amsterdam, however, no point of faith is better established than that for every guilder, circulated as bank money, there is a correspondent guilder in gold or silver to be found in the treasure of the bank. The city is guarantee that it should be so. The bank is under the direction of the four reigning burgomasters, who are changed every year. Each new set of burgomasters visits the treasure, compares it with the books, receives it upon oath, and delivers it over, with the same awful solemnity, to the set which succeeds [1]; and in that sober and religious country oaths are not yet disregarded. A rotation of this kind seems alone a sufficient security against any practices which cannot be avowed. Amidst all the revolutions which faction has ever occasioned in the government of Amsterdam, the prevailing party has at no time accused their predecessors of infidelity in the administration of the bank. No accusation could have affected more deeply the reputation and fortune of the disgraced party, and if such an accusation could have been supported, we may be assured that it would have been brought. In 1672, when the French king was at Utrecht, the bank of Amsterdam paid so readily as left no doubt of the fidelity with which it had observed its engagements. Some of the pieces which were then brought from its repositories appeared to have been scorched with the fire which happened in the town-house soon after the bank was established.[1] Those pieces, therefore, must have lain there from that time.

---

[1] [Ed. 1 reads 'it' here.]

The amount of treasure in the bank is a subject of conjecture.

What may be the amount of the treasure in the bank, is a question which has long employed the speculations of the curious. Nothing but conjecture can be offered concerning it. It is generally reckoned that there are about two thousand people who keep accounts with the bank, and allowing them to have, one with another, the value of fifteen hundred pounds sterling lying upon their respective accounts (a very large allowance), the whole quantity of bank money, and consequently of treasure in the bank, will amount to about three millions sterling, or, at eleven guilders the pound sterling, thirty-three millions of guilders;[2] a great sum, and sufficient to carry on a very extensive circulation; but vastly below the extravagant ideas which some people have formed of this treasure.

The city derives a considerable revenue from the various profits of the bank.

The city of Amsterdam derives a considerable revenue from the bank. Besides what may be called the warehouse-rent above mentioned, each person, upon first opening an account with the bank, pays a fee of ten guilders; and for every new account three guilders three stivers; for every transfer two stivers; and if the transfer is for less than three hundred guilders, six stivers, in order to discourage the multiplicity of small transactions. The person who neglects to balance his account twice in the year forfeits twenty-five guilders. The person who orders a transfer for more than is upon his account, is obliged to pay three per cent. for the sum overdrawn, and his order is set aside into the bargain. The bank is supposed too to make a considerable profit by the sale of the foreign coin or bullion which sometimes falls to it by the expiring of receipts, and which is always kept till it can be sold with advantage. It makes a profit likewise by selling bank money at five per cent. agio, and buying it in at four. These different emoluments amount to a good deal more than what is necessary for paying the salaries of officers, and defraying the expence of management. What is paid for the keeping of bullion upon receipts, is alone supposed to amount to a neat annual revenue of between one hundred and fifty thousand and two hundred thousand guilders. Public utility, however, and not revenue, was the original object of this institution. Its object was to relieve the merchants from the inconvenience of a disadvantageous exchange. The revenue which has arisen from it was unforeseen, and may be considered as accidental. But it is now time to return from this long digression, into which I have been insensibly led in endeavouring to explain the reasons why the exchange between the countries which pay in what is called bank money, and those which pay in common currency, should generally appear to be in favour of the former, and against the latter. The former pay in a species of money of which the intrinsic value is always the same, and exactly agreeable to the standard of their respective mints; the latter in a species of money of which the intrinsic value is continually varying, and is almost always more or less below that standard.[1]

---

[1] [*Lectures*, pp. 193, 194. The story is doubtless in Voltaire, *Siècle de Louis XIV.*, chap. x., and is quoted thence by Anderson, *Commerce*, A.D. 1672.]

[2] [N. Magens, *Universal Merchant*, ed. Horsley, pp. 32, 33, who also protests against the common exaggeration, gives 3,000 as a maximum estimate for the number of accounts, and 60,000,000 guilders as the utmost amount of the treasure.]

PART II

Of the Unreasonableness of those extraordinary Restraints upon other Principles[2]

IN the foregoing Part of this Chapter I have endeavoured to shew,[3] even upon the principles of the commercial system, how unnecessary it is to lay extraordinary restraints upon the importation of goods from those countries with which the balance of trade is supposed to be disadvantageous.

---

[1] [Ed. 1 runs on here as follows, 'But though the computed exchange must generally be in favour of the former, the real exchange may frequently be in favour of the latter.']

[2] [In place of this part heading (see above, p. 437, note) ed. 1 reads, in square-bracketed italics, 'End of the Digression concerning Banks of Deposit'.]

[3] [In place of this first line ed. 1 reads, 'Though the computed exchange between any two places were in every respect the same with the real, it would not always follow that what is called the balance of trade was in favour of that place which had the ordinary course of exchange in its favour. The ordinary course of exchange might, indeed, in this case, be a tolerable indication of the ordinary state of debt and credit between them, and show which of the two countries usually had occasion to send out money to the other. But the ordinary state of debt and credit between any two places is not always entirely regulated by the ordinary course of their dealings with one another, but is influenced by that of the dealings of both with many other countries. If it was usual, for example, for the merchants of England to pay the goods which they buy from Hamburgh, Dantzick, Riga, &c., by bills upon Holland, the ordinary state of debt and credit between England and Holland would not be entirely regulated by the ordinary course of the dealings of those two countries with one another, but would be influenced by that of England with those other places. England might, in this case, be annually obliged to send out money to Holland, though its annual exports to that country exceeded the annual value of its imports from it, and though what is called the balance of trade was very much in favour of England.

'Hitherto I have been endeavouring to shew.' See above, p. 440, note 3.]

The whole doctrine of the balance of trade is absurd.

Nothing, however, can be more absurd than this whole doctrine of the balance of trade, upon which, not only these restraints, but almost all the other regulations of commerce are founded. When two places trade with one another, this doctrine supposes that, if the balance be even, neither of them either loses or gains; but if it leans in any degree to one side, that one of them loses, and the other gains in proportion to its declension from the exact equilibrium. Both suppositions are false. A trade which is forced by means of bounties and monopolies, may be, and commonly is disadvantageous to the country in whose favour it is meant to be established, as I shall endeavour to shew hereafter.[1] But that trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally so, to both.

By advantage or gain, I understand, not the increase of the quantity of gold and silver, but that of the exchangeable value of the annual produce of the land and labour of the country, or the increase of the annual revenue of its inhabitants.

Where there is an even balance and the exchange consists wholly of native commodities two countries trading will gain nearly equally.

If the balance be even, and if the trade between the two places consist altogether in the exchange of their native commodities, they will, upon most occasions, not only both gain, but they will gain equally, or very near equally: each will in this case afford a market for a part of the surplus produce of the other: each will replace a capital which had been employed in raising and preparing for the market[2] this part of the surplus produce of the other, and which had been distributed among, and given revenue and maintenance to a certain number of its inhabitants. Some part of the inhabitants of each, therefore, will indirectly derive their revenue and maintenance from the other. As the commodities exchanged too are supposed to be of equal value, so the two capitals employed in the trade will, upon most occasions, be equal, or very nearly equal; and both being employed in raising the native commodities of the two countries, the revenue and maintenance which their distribution will afford to the inhabitants of each will be equal, or very nearly equal. This revenue and maintenance, thus mutually afforded, will be greater or smaller in proportion to the extent of their dealings. If these should annually amount to an hundred thousand pounds, for example, or to a million on each side, each of them would afford an annual revenue in the one case of an hundred thousand pounds, in the other, of a million, to the inhabitants of the other.

---

[1] [Below, vol. ii., pp. 7, 8.]

[2] [Ed. 1 does not contain 'and preparing for the market'.]

If one exported nothing but native commodities, and the other nothing but foreign, both would gain, but the first would gain most.

If their trade should be of such a nature that one of them exported to the other nothing but native commodities, while the returns of that other consisted altogether in foreign goods; the balance, in this case, would still be supposed even, commodities being paid for with commodities. They would, in this case too, both gain, but they would not gain equally; and the inhabitants of the country which exported nothing but native commodities would derive the greatest revenue from the trade. If England, for example, should import from France nothing but the native commodities of that country, and, not having such commodities of its own as were in demand there, should annually repay them by sending thither a large quantity of foreign goods, tobacco, we shall suppose, and East India goods; this trade, though it would give some revenue to the inhabitants of both countries, would give more to those of France than to those of England. The whole French capital annually employed in it would annually be distributed among the people of France. But that part of the English capital only which was employed in producing the English commodities with which those foreign goods were purchased, would be annually distributed among the people of England. The greater part of it would replace the capitals which had been employed in Virginia, Indostan, and China, and which had given revenue and maintenance to the inhabitants of those distant countries. If the capitals were equal, or nearly equal, therefore, this employment of the French capital would augment much more the revenue of the people of France, than that of the English capital would the revenue of the people of England. France would in this case carry on a direct foreign trade of consumption with England; whereas England would carry on a round-about trade of the same kind with France. The different effects of a capital employed in the direct, and of one employed in the round-about foreign trade of consumption, have already been fully explained.[1]

Mixed cases conform to the principle.

There is not, probably, between any two countries, a trade which consists altogether in the exchange either of native commodities on both sides, or of native commodities on one side and of foreign goods on the other. Almost all countries exchange with one another partly native and partly foreign goods. That country, however, in whose cargoes there is the greatest proportion of native, and the least of foreign goods, will always be the principal gainer.

It would be no worse for England to pay in gold

If it was not with tobacco and East India goods, but with gold and silver, that England paid for the commodities annually imported from France, the balance, in this case, would be supposed uneven, com-

---

[1] [Above, p. 349.]

and silver than in tobacco.

modities not being paid for with commodities, but with gold and silver. The trade, however, would, in this case, as in the foregoing, give some revenue to the inhabitants of both countries, but more to those of France than to those of England. It would give some revenue to those of England. The capital which had been employed in producing the English goods that purchased this gold and silver, the capital which had been distributed among, and given revenue to, certain inhabitants of England, would thereby be replaced, and enabled to continue that employment. The whole capital of England would no more be diminished by this exportation of gold and silver, than by the exportation of an equal value of any other goods. On the contrary, it would, in most cases, be augmented. No goods are sent abroad but those for which the demand is supposed to be greater abroad than at home, and of which the returns consequently, it is expected, will be of more value at home than the commodities exported. If the tobacco which, in England, is worth only a hundred thousand pounds, when sent to France will purchase wine which is, in England, worth a hundred and ten thousand pounds, the exchange will augment the capital of England by ten thousand pounds. If a hundred thousand pounds of English gold, in the same manner, purchase French wine, which, in England, is worth a hundred and ten thousand, this exchange will equally augment the capital of England by ten thousand pounds. As a merchant who has a hundred and ten thousand pounds worth of wine in his cellar, is a richer man than he who has only a hundred thousand pounds worth of tobacco in his warehouse, so is he likewise a richer man than he who has only a hundred thousand pounds worth of gold in his coffers. He can put into motion a greater quantity of industry, and give revenue, maintenance, and employment, to a greater number of people than either of the other two. But the capital of the country is equal to the capitals of all its different inhabitants, and the quantity of industry which can be annually maintained in it, is equal to what all those different capitals can maintain. Both the capital of the country, therefore, and the quantity of industry which can be annually maintained in it, must generally be augmented by this exchange. It would, indeed, be more advantageous for England that it could purchase the wines of France with its own hard-ware and broad-cloth, than with either the tobacco of Virginia, or the gold and silver of Brazil and Peru. A direct foreign trade of consumption is always more advantageous than a round-about one. But a round-about foreign trade of consumption, which is carried on with gold and silver, does not seem to be less advantageous than any other equally round-about one. Neither is a country which has no mines, more likely to be exhausted of gold and silver by this annual exportation of those metals, than one which does not grow tobacco by the like annual exportation of that plant. As a country which has where-withal to buy tobacco will never be long in want of it, so neither will one be long in want of gold and silver which has wherewithal to purchase those metals.

The arguments against the French wine trade are fallacious.

It is a losing trade, it is said, which a workman carries on with the alehouse; and the trade which a manufacturing nation would naturally carry on with a wine country, may be considered as a trade of the same nature. I answer, that the trade with the alehouse is not necessarily a losing trade. In its own nature it is just as advantageous as any other, though, perhaps, somewhat more liable to be abused. The employment of a brewer, and even that of a retailer of fermented liquors, are as necessary divisions of labour as any other. It will generally be more advantageous for a workman to buy of the brewer the quantity he has occasion for, than to brew[1] it himself, and if he is a poor workman, it will generally be more advantageous for him to buy it, by little and little, of the retailer, than a large quantity of the brewer. He may no doubt buy too much of either, as he may of any other dealers in his neighbourhood, of the butcher, if he is a glutton, or of the draper, if he affects to be a beau among his companions. It is advantageous to the great body of workmen, notwithstanding, that all these trades should be free, though this freedom may be abused in all of them, and is more likely to be so, perhaps, in some than in others. Though individuals, besides, may sometimes ruin their fortunes by an excessive consumption of fermented liquors, there seems to be no risk that a nation should do so. Though in every country there are many people who spend upon such liquors more than they can afford, there are always many more who spend less. It deserves to be remarked too, that, if we consult experience, the cheapness of wine seems to be a cause, not of drunkenness, but of sobriety. The inhabitants of the wine countries are in general the soberest people in Europe; witness the Spaniards, the Italians, and the inhabitants of the southern provinces of France. People are seldom guilty of excess in what is their daily fare. Nobody affects the character of liberality and good fellowship, by being profuse of a liquor which is as cheap as small beer. On the contrary, in the countries which, either from[2] excessive heat or cold, produce no grapes, and where wine consequently is dear and a rarity, drunkenness is a common vice, as among the northern nations, and all those who live between the tropics, the negroes, for example, on the coast of Guinea. When a French regiment comes from some of the northern provinces of France, where wine is somewhat dear, to be quartered in the southern, where it is very cheap, the soldiers, I have frequently heard it observed, are at first debauched by the cheapness and novelty of good wine; but after a few months residence, the greater part of them become as sober as the rest of the inhabitants. Were the duties upon foreign wines, and the excises upon malt, beer, and ale, to be taken away all at once, it might, in the same manner, occasion in Great Britain a pretty general and temporary drunkenness among the middling and inferior ranks of people, which would probably be soon followed by a permanent and almost universal sobriety. At present drunkenness is by no means the vice of people of fashion, or of those who can easily afford the most expensive liquors. A gentleman drunk with ale, has scarce ever been seen among us.[1] The restraints upon the wine trade in Great Britain, besides, do not so much seem calculated to hinder the people from going, if I may say so, to the alehouse, as from going where they can buy the best and cheapest liquor. They favour the wine trade of Portugal, and discourage that of France. The Portuguese, it is said, indeed, are better customers for our manufactures than the French, and should therefore be encouraged in preference to them. As they give us their custom, it is pretended, we should give them ours. The sneaking arts of underling tradesmen are thus erected into political maxims for the conduct of a great empire; for it is the most underling tradesmen only who make it a rule to employ chiefly their own customers. A great trader purchases his goods always where they are cheapest and best, without regard to any little interest of this kind.

---

[1] [Eds. 1 and 2 read 'make'.]

[2] [Ed. 1 reads 'from either'.]

The sneaking arts of underling tradesmen have been erected into political maxims and commerce has become a source of discord instead of unity.

By such maxims as these, however, nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe, than the impertinent jealousy of merchants and manufacturers. The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolizing spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of mankind, though it cannot perhaps be corrected, may very easily be prevented from disturbing the tranquillity of any body but themselves.

---

[1] [*Lectures*, p. 179.]

The sophistry of merchants inspired by the spirit of monopoly has confounded the common-sense of mankind.

That it was the spirit of monopoly which originally both invented and propagated this doctrine, cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest, that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question, had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposite to that of the great body of the people. As it is the interest of the freemen of a corporation to hinder the rest of the inhabitants from employing any workmen but themselves, so it is the interest of the merchants and manufacturers of every country to secure to themselves the monopoly of the home market. Hence in Great Britain, and in most other European countries, the extraordinary duties upon almost all goods imported by alien merchants. Hence the high duties and prohibitions upon all those foreign manufactures which can come into competition with our own. Hence too the extraordinary restraints upon the importation of almost all sorts of goods from those countries with which the balance of trade is supposed to be disadvantageous; that is, from those against whom national animosity happens to be most violently inflamed.

Wealthy neighbours are an advantage to a nation as well as an individual.

The wealth of a neighbouring nation, however, though dangerous in war and politics, is certainly advantageous in trade. In a state of hostility it may enable our enemies to maintain fleets and armies superior to our own; but in a state of peace and commerce it must likewise enable them to exchange with us to a greater value, and to afford a better market, either for the immediate produce of our own industry, or for whatever is purchased with that produce. As a rich man is likely to be a better customer to the industrious people in his neighbourhood, than a poor, so is likewise a rich nation. A rich man, indeed, who is himself a manufacturer, is a very dangerous neighbour to all those who deal in the same way. All the rest of the neighbourhood, however, by far the greatest number, profit by the good market which his expence affords them. They even profit by his underselling the poorer workmen who deal in the same way with him. The manufacturers of a rich nation, in the same manner, may no doubt be very dangerous rivals to those of their neighbours. This very competition, however, is advantageous to the great body of the people, who profit greatly besides by the good market which the great expence of such a nation affords them in every other way. Private people who want to make a fortune, never think of retiring to the remote and poor provinces of the country, but resort either to the capital, or to some of the great commercial towns. They know, that, where little wealth circulates, there is little to be got, but that where a great deal is in motion, some share of it may fall to them. The same maxims which would in this manner direct the common sense of one, or ten, or twenty individuals, should regulate the judgment of one, or ten, or twenty millions, and should make a whole nation regard the riches of its neighbours, as a probable cause and occasion for itself to acquire riches. A nation that would enrich itself by foreign trade, is certainly most likely to do so when its neighbours are all rich, industrious, and commercial nations. A great nation surrounded on all sides by wandering savages and poor barbarians might, no doubt, acquire riches by the cultivation of its own lands, and by its own interior commerce, but not by foreign trade. It seems to have been in this manner that the ancient Egyptians and the modern Chinese acquired their great wealth. The ancient Egyptians, it is said, neglected foreign commerce,[1] and the modern Chinese, it is known, hold it in the utmost contempt,[2] and scarce deign to afford it the decent protection of the laws. The modern maxims of foreign commerce, by aiming at the impoverishment of all our neighbours, so far as they are capable of producing their intended effect, tend to render that very commerce insignificant and contemptible.

The French trade, if not restrained, would be much more advantageous to Great Britain than the American.

It is in consequence of these maxims that the commerce between France and England has in both countries been subjected to so many discouragements and restraints. If those two countries, however, were to consider their real interest, without either mercantile jealousy or national animosity, the commerce of France might be more advantageous to Great Britain than that of any other country, and for the same reason that of Great Britain to France. France is the nearest neighbour to Great Britain. In the trade between the southern coast of England and the northern and north-western coasts of France, the returns might be expected, in the same manner as in the inland trade, four, five, or six times in the year. The capital, therefore, employed in this trade, could in each of the two countries keep in motion four, five, or six times the quantity of industry, and afford employment and

[1] [Above, p. 347.]

[2] [Below, vol. ii., p. 178.]

subsistence to four, five, or six times the number of people, which an equal capital could do in the greater part of the other branches of foreign trade. Between the parts of France and Great Britain most remote from one another, the returns might be expected, at least, once in the year, and even this trade would so far be at least equally advantageous as the greater part of the other branches of our foreign European trade. It would be, at least, three times more advantageous, than the boasted trade with our North American colonies, in which the returns were seldom made in less than three years, frequently not in less than four or five years. France, besides, is supposed to contain twenty-four millions of inhabitants.[1] Our North American colonies were never supposed to contain more than three millions:[2] And France is a much richer country than North America; though, on account of the more unequal distribution of riches, there is much more poverty and beggary in the one country, than in the other. France therefore could afford a market at least eight times more extensive, and, on account of the superior frequency of the returns, four and twenty times more advantageous, than that which our North American colonies ever afforded. The trade of Great Britain would be just as advantageous to France, and, in proportion to the wealth, population and proximity of the respective countries, would have the same superiority over that which France carries on with her own colonies. Such is the very great difference between that trade which the wisdom of both nations has thought proper to discourage, and that which it has favoured the most.

But the traders of France and England are jealous of each other.

But the very same circumstances which would have rendered an open and free commerce between the two countries so advantageous to both, have occasioned the principal obstructions to that commerce. Being neighbours, they are necessarily enemies, and the wealth and power of each becomes, upon that account, more formidable to the other; and what would increase the advantage of national friendship, serves only to inflame the violence of national animosity. They are both rich and industrious nations; and the merchants and manufacturers of each, dread the competition of the skill and activity of those of the other. Mercantile jealousy is excited, and both inflames, and is itself inflamed, by the violence of national animosity: And the traders of both countries have announced, with all the passionate confidence of interested falsehood, the certain ruin of each, in consequence of that unfavourable balance of trade, which, they pretend, would be the infallible effect of an unrestrained commerce with the other.[3]

---

[1] [See below, vol. ii., p. 389.]

[2] [See below, vol. ii., p. 422.]

[3] [This and the preceding paragraph appear first in Additions and Corrections and ed. 3.]

No country has ever been impoverished by an unfavourable balance, and those which have the freest trade have been the most enriched by foreign trade.

There is no commercial country in Europe of which the approaching ruin has not frequently been foretold by the pretended doctors of this system, from an unfavourable balance of trade. After all the anxiety, however, which they have excited about this, after all the vain attempts of almost all trading nations to turn that balance in their own favour and against their neighbours, it does not appear that any one nation in Europe has been in any respect impoverished by this cause. Every town and country, on the contrary, in proportion as they have opened their ports to all nations, instead of being ruined by this free trade, as the principles of the commercial system would lead us to expect, have been enriched by it. Though there are in Europe, indeed, a few towns which in some respects deserve the name of free ports, there is no country which does so. Holland, perhaps, approaches the nearest to this character of any, though still very remote from it; and Holland, it is acknowledged, not only derives its whole wealth, but a great part of its necessary subsistence, from foreign trade.

Prosperity and decay depend on the balance of produce and consumption,

There is another balance, indeed, which has already been explained,[1] very different from the balance of trade, and which, according as it happens to be either favourable or unfavourable, necessarily occasions the prosperity or decay of every nation. This is the balance of the annual produce and consumption. If the exchangeable value of the annual produce, it has already been observed, exceeds that of the annual consumption, the capital of the society must annually increase in proportion to this excess. The society in this case lives within its revenue, and what is annually saved out of its revenue, is naturally added to its capital, and employed so as to increase still further the annual produce. If the exchangeable value of the annual produce, on the contrary, fall short of the annual consumption, the capital of the society must annually decay in proportion to this deficiency. The expence of the society in this case exceeds its revenue, and necessarily encroaches upon its capital. Its capital, therefore, must necessarily decay, and, together with it, the exchangeable value of the annual produce of its industry.

which is quite different from the balance of trade,

This balance of produce and consumption is entirely different from, what is called, the balance of trade. It might take place in a nation which had no foreign trade, but which was entirely separated from all the world. It may take place in the whole globe of the earth, of which the wealth, population, and improvement may be either gradually increasing or gradually decaying.

The balance of produce and consumption may be constantly in and may be constantly in favour of a nation when the balance of trade is against it.

---

[1] [Above, vol. i., p. 320; *Lectures*, p. 207.]

favour of a nation, though what is called the balance of trade be generally against it. A nation may import to a greater value than it exports for half a century, perhaps, together; the gold and silver which comes into it during all this time may be all immediately sent out of it; its circulating coin may gradually decay, different sorts of paper money being substituted in its place, and even the debts too which it contracts in the principal nations with whom it deals, may be gradually increasing; and yet its real wealth, the exchangeable value of the annual produce of its lands and labour, may, during the same period, have been increasing in a much greater proportion. The state of our North American colonies, and of the trade which they carried on with Great Britain, before the commencement of the present disturbances,[1] may serve as a proof that this is by no means an impossible supposition.

---

[1] This paragraph was written in the year 1775. [But not exactly as it stands, since ed. 1 reads 'the late disturbances' instead of 'the present disturbances'. We can only conjecture that Smith thought that the disturbances were past either when he was writing or when he returned the proof to the printers, or that they would be past by the time his book was published. The alteration of 'late' to 'present' was made in ed. 2, and the footnote added in ed. 3. In vol. ii. all eds. read 'present disturbances' on pp. 75, 86 and 115 and 'late disturbances' on p. 79. The two expressions could scarcely have been used at the same time, so we must suppose that 'late' was corrected into 'present' on pp. 75, 86 and 115, or that 'present' was corrected into 'late' on p. 79, but we cannot tell for certain which of the two things happened.]

END OF THE FIRST VOLUME

PRINTED IN GREAT BRITAIN BY
THE UNIVERSITY PRESS, ABERDEEN

427